



Annual Report 2013
For a Unique Company
Focusing on Asia



Profile

Reflecting its philosophy of “Aiming to Provide a Comfortable Lifestyle Supported by Health and Beauty,” Mandom engages in the manufacture and sale of cosmetics. Since its foundation in 1927, we have expanded our businesses centered on men’s cosmetics. Mandom presently offers various brand products to as many consumers worldwide as possible, “creating lifestyle value with consumers, for consumers”. In particular, we are focusing on Gatsby, which has grown into the top men’s cosmetics brand in Asia, along with Lúcido, Lúcido-L, Bifesta and Pixy, shipping over 1 billion products annually in the hair styling, face & body care, skincare and make-up categories.

Mandom’s overseas expansion began in 1958, making an early mark in the cosmetics industry in 10 countries and regions across Asia, particularly Indonesia, via 11 overseas Group companies. Beyond Asia, our products have become consumer favorites in numerous countries worldwide, including Africa, Europe and North America.

The entire Mandom Group is currently working together as one to be an “Only One” company whose strength lies in its global management with a focus on Asia.

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Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains forward-looking statements concerning Mandom’s current plans, strategies, beliefs and performance. These forward-looking statements include statements other than those based on historical fact and represent the assumptions and beliefs of management based on information currently available. Mandom therefore wishes to caution readers that actual results may differ materially from expectations, and that forward-looking statements are subject to a number of foreseen and unforeseen risks and uncertainties.

All amounts have been rounded to the nearest whole unit.

Our Philosophy

Aiming to Provide a Comfortable Lifestyle Supported by Health and Beauty



Experiencing beauty and the feeling of excitement and gratification beauty produces has a positive impact on the human body and mind, resulting in a healthy condition. This is why we adhere to the words, "health and beauty."

In our opinion, contributions to a comfortable life can be achieved by creating valuable and attractive products or services that appeal to the consumers' sense of beauty, and by acquiring as many customers as possible. We aim, above all, to maximize consumer satisfaction.





Immediately following its foundation, Kintsuru Perfume Corporation marketed a lineup of core products that became leaders of the Japanese perfume market amid the prominence of Western perfumes during the 1920s and 30s. These core products symbolized the age of the "modern girl" and "modern boy."

Since
1927

Founded in 1927

In 1927, Mandom was formed as the Kintsuru Perfume Corporation. Since its foundation, Mandom has developed its business based on "the spirit of excellence at a low price." Guided by this spirit, we are contributing to society by bringing quality goods to the masses and forging our own unique path that does not pander to trends.

In the 80 plus years since Mandom's foundation, this spirit has enabled us to overcome two management crises as well as expand our operations throughout Asia, thus "contributing to a comfortable life of consumers" and "becoming an 'Only One' company." We will make every effort to pass along this rich tradition in the years ahead.



Released in 1933, Tancho Tique took the market by storm as a men's cosmetic thanks to using the first vegetable oil ever produced in Japan as a base, its dignified scent and novel shiny white container.

■ Contributing to a Comfortable Life of Consumers

Mandom's mission is to "satisfy the average sense of style, bring style to the average consumer." Reflecting this, we believe that the source of our continual existence is the generation of value through products that leverage employee creativity and the acceptance of this value by a significant number of consumers.

This belief is simply stated in the concept, "contributing to a comfortable life of consumers." Mandom engages in business activities that take this concept to heart.

■ Becoming an "Only One" Unique Company

Mandom strives to maintain sustainable businesses with the aim of "contributing to a comfortable life of consumers." Consequently, it is essential that we possess the dynamism required to prevail over the competition in any era. Coupled with this, Mandom will continue to be a company that plays a useful social role by effectively balancing its humanity and social responsibilities as a good corporate citizen and by gaining recognition for its existing social value as an "Only One" company.

Mandom will realize its aim of becoming an "Only One" company by promoting unique businesses and encouraging the participation of all employees.



Overseas expansion began for Mandom in 1958, with the establishment of a technical tie-up in the Philippines. Since then, we have expanded businesses that are fully rooted in the Asian market. In each Asian country where we do business, we have focused our efforts on integrating ourselves into local lifestyles in a real sense to thoroughly get to grips with local cultural norms and customs. At the same time, we have developed products through trial and error that Asian consumers feel are useful.

In light of the dramatic economic growth and ongoing globalization of Asia, we aim to be a useful and unique company by precisely meeting the needs and wants of consumers in all countries and areas while maintaining an unwavering focus on global markets.

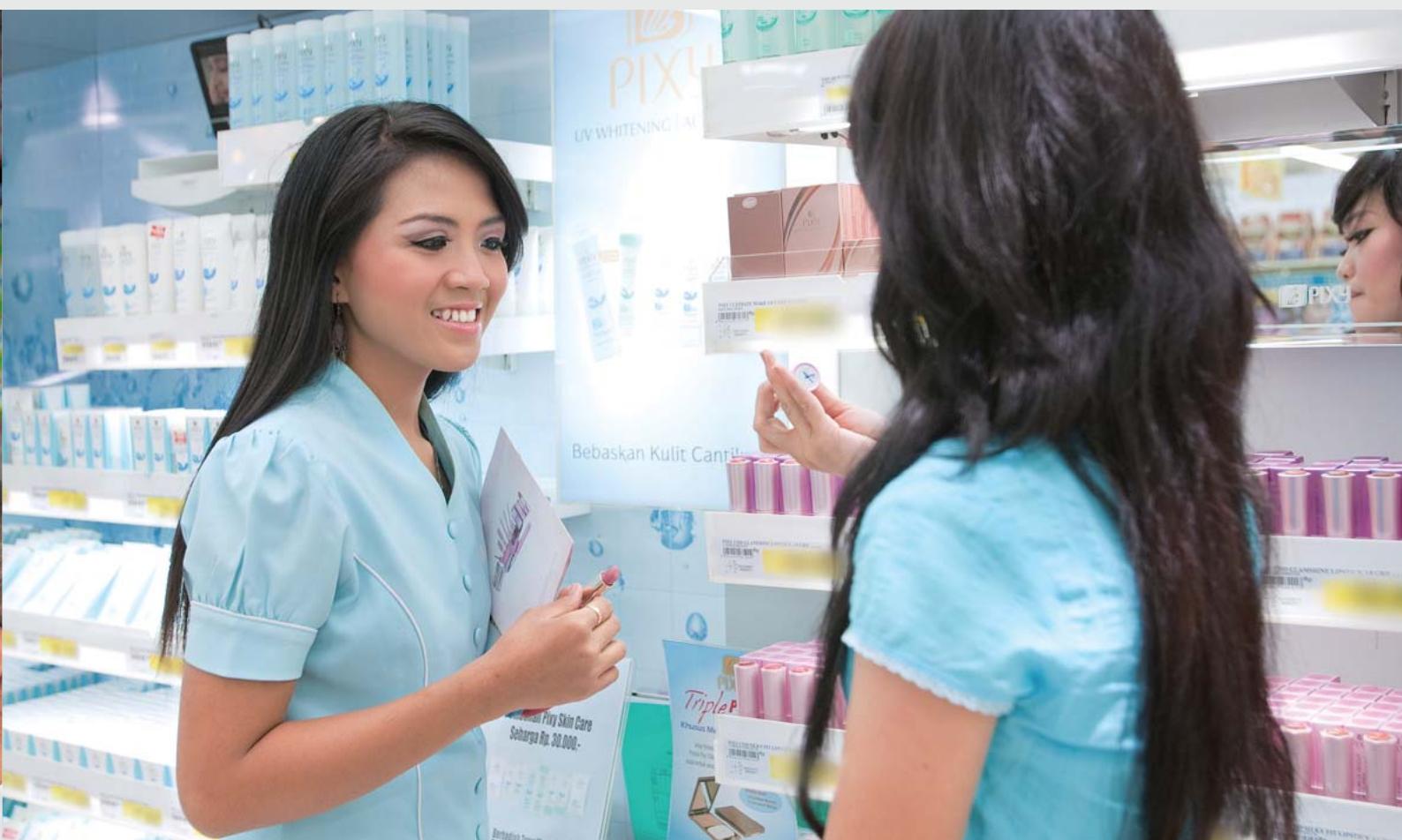


Shipments **1,058**

were shipped by the Mandom Group
in the fiscal year ended March 31, 2013.

■ Creating a Distribution Network and Undertaking Marketing Tailored to Each Area

Mandom is creating a distribution network and undertaking marketing tailored to each area in order to reach as many consumers as possible. To be a useful presence for the average consumer in each country target area, we are creating a distribution network to enable consumers to purchase Mandom products at nearby stores. We are also expanding contact points between consumers and products by using various media tailored to the lifestyles of target consumers, and by creating buying spaces in stores that stimulate consumers' desire to buy our products and make it easier to choose the products they need.



Million pcs

■ Provide High-Quality Products at Reasonable Prices

We are engaging in production and supply through our three production bases in Japan, Indonesia and China to provide high-quality products at reasonable prices to the greatest number of consumers worldwide. In addition, each production base is working at improving production technologies and building a production system.

Along with working to further improve and standardize technological capabilities at each of these three production bases, we have established mass-production technologies that give consistently high-volume production while maintaining the same quality. In addition, we manufacture aerosol and paper products internally to lower costs as well as use an integrated production system that encompasses everything from content filling to finishing and packaging. By this and other means, we do everything we can to achieve greater energy efficiency and faster production times in order to enhance efficiency and reduce costs.



We will do our best to listen to our consumers' needs and wants and turn them into attractive products and services, and to bring those "values" to as many consumers as possible.

Sales JP¥34,876

The No.1 men's cosmetic brand, Gatsby consolidated net sales in the fiscal year ended March 31, 2013

■ Provide Products That Express the Needs and Wants of Consumers

The needs and wants of consumers differ depending on country or area and are constantly changing in line with various trends and lifestyles. To embody these needs and wants in our products, we undertake product development from the perspective of consumers.

Regarding product development, in addition to tracking consumer lifestyles, consciousness, and preferences, we extensively research market and store product trends to identify consumer needs and wants. Based on the results of this research, we design high-quality, appealing, and distinctive products that satisfy consumers in every way possible. However, we do not stop there. Once a product is sold, we analyze consumer feedback and verify product trends to improve product quality and identify new needs and wants. The results of verification are then reflected in the next cycle of product development.

Million



■ We Engage in Technical Development with the Aim of Integrating Our Technology and Sensibilities

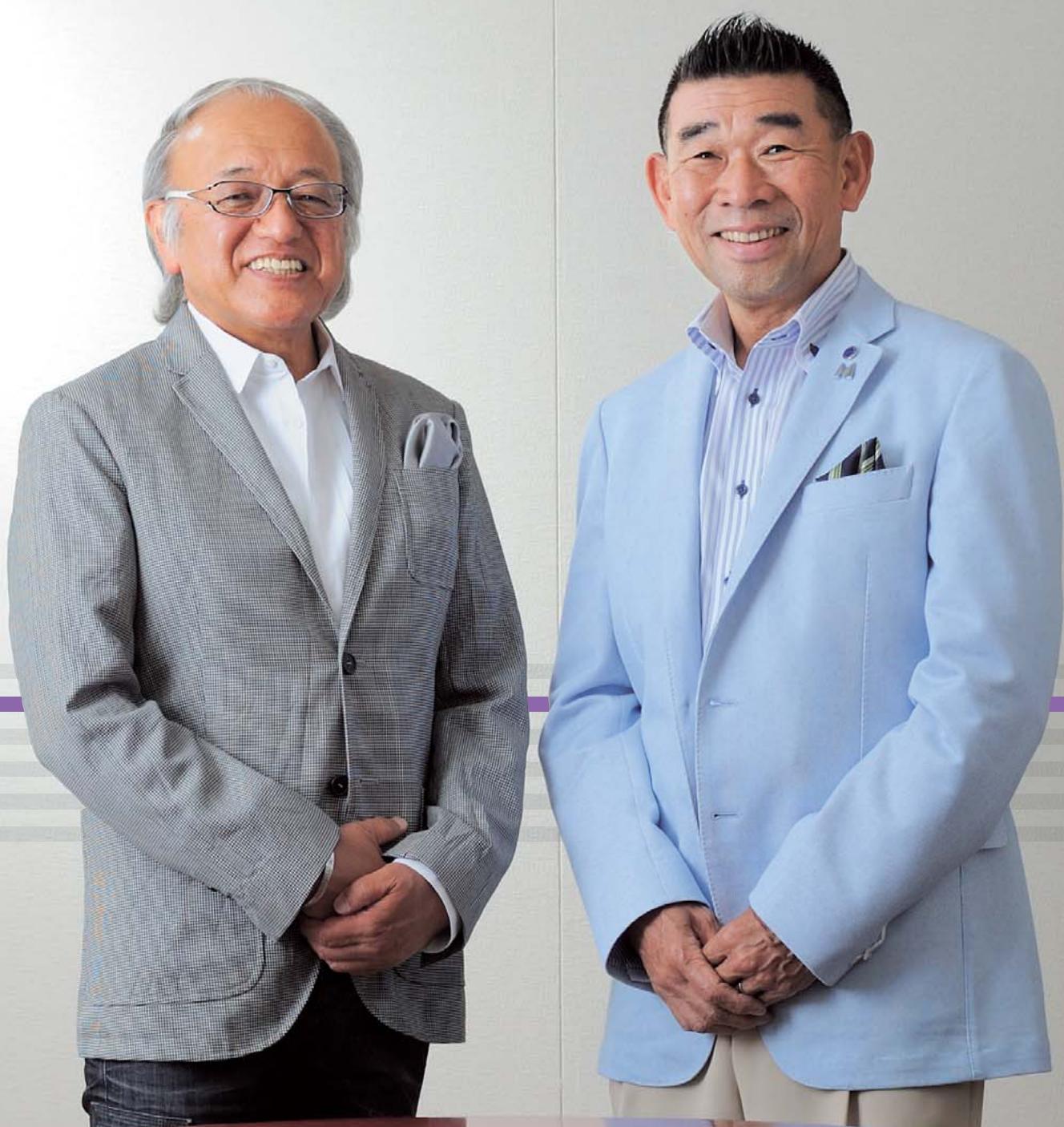
In order to offer products that satisfy consumers in terms of value, we pursue novelty and comfort while engaging in technical development with the aim of integrating our technology and sensibilities.

Concerning our technical development, we evaluate products based on consumers' definition of quality in order for consumers to use our products with peace of mind. In addition, we strive to bring customers novelty and comfort by studying the mechanisms of grooming and cosmetics, and by coming up with new and promising technologies that will improve the applicability and effectiveness of our products. We also work to enhance the functionality, usability and consistency of products by simulating a variety of daily and lifestyle scenarios.

We will accelerate the growth of Mandom Group businesses to achieve the initial targets of our 10th Three-Year Middle-Range Plan.

In the fiscal year ended March 31, 2013, the second fiscal year of our 10th three-year Middle-Range Plan (fiscal year ended March 31, 2012–fiscal year ending March 31, 2014, “MP-10”), we recorded record-breaking net sales and net income. Nevertheless, results fell short of initial targets due to weather-related factors and the impact of intensifying competition on summer season products in Japan.

In the fiscal year ending March 31, 2014, the final year of MP-10, we will work to achieve the initial numerical targets of the MP-10 by aggressively expanding sales promotion activities centered on strong-performing overseas businesses. At the same time, we will undertake measures to achieve further growth during MP-11.



Motonobu Nishimura

Representative Director
President Executive Officer

Masayoshi Momota

Representative Director
Vice President Executive Officer

Overview of Fiscal 2013

Consolidated Net Sales

¥60,427 million (1.0% increase on previous period)

Consolidated Operating Income

¥5,947 million (1.7% decrease)

Consolidated Ordinary Income

¥6,241 million (1.1% decrease)

Consolidated Net Income

¥3,607 million (9.3% increase)

We achieved record-breaking net sales despite a marginal rise in revenues amid slumping sales of summer season products in Japan. Operating income and ordinary income decreased due to aggressive marketing investments primarily overseas.

In fiscal 2013, the Group worked toward sustained growth through the strategic measures of achieving stable growth in the core men's grooming business, stepping up efforts in women's cosmetics and continuing to expand overseas operations with Asia as the engine of growth. Based on these

measures, in Japan we redoubled our efforts maintain ongoing expansion primarily in the Gatsby face & body category of summer season products and further developed the Bifesta women's cosmetic brand. Overseas, we stepped our efforts to expand Gatsby reflecting the conditions of individual countries while growing the women's cosmetics business in Asia. We also worked to curb the rising cost to sales ratio amid high currency exchange rates and raw materials prices by cutting costs focusing on paper products in Japan. In addition, we aggressively invested in marketing, particularly in overseas markets.

As a result of these efforts, overseas sales were strong, including double-digit growth on a local currency basis, excluding certain regions. In Japan, sales of summer season products were weak because of weather-related factors and intensifying competition. Consequently, net sales increased only 1.0% over the previous fiscal year to ¥60,427 million. Regarding earnings, operating income decreased 1.7% to ¥5,947 million, and ordinary income declined 1.1% to ¥6,241 million. Despite a decrease in the cost to sales ratio, mainly reflecting cost-cutting measures and foreign currency translations into yen, these decreases were attributable to aggressive marketing investments overseas, beginning with Indonesia. Net income increased 9.3% year on year owing primarily to decreases in extraordinary loss and domestic corporate taxes.



Despite achieving record-high net sales and net income, operating income, ordinary income and other results fell short of initial targets.

Progress in the Second Fiscal Year of MP-10

During the second fiscal year of MP-10, there was a slight discrepancy between initial targets and results.

We have positioned MP-10 as a three-year business plan for accelerating Mandom Group growth. To this end, we have commenced the strategic measures of MP-10, which are to accelerate growth through stable growth of the men's grooming business, bolstering expansion for the women's cosmetic business and continued strengthening of overseas business, while remaining mindful of improving profitability and maintaining high and consistent shareholder dividend payouts. In the first fiscal year of MP-10, both growth and profitability surpassed our initial projections. This was due to outperforming our goals for MP-10 in its first fiscal year, recording higher-than-expected growth that led to higher profits. In addition, we improved profitability beyond our expectations due to increased efficiency and a review of sales, general and administrative expenses.

In the second year of MP-10, we did not reach initial targets. Despite higher-than-projected net sales in the overseas



business, this was due to currency exchange losses and weak domestic summer season product sales in the men's grooming business. In addition, we were unable to reach initial targets in the women's cosmetics business due to the poor performance of skin care products in Japan and the delayed market release of improved core Pixy brand products in Indonesia. Operating income fell below initial targets due to a decline in profitability in line with lower-than-projected net sales.

Evaluating the Second Year of MP-10

Our assessments indicate that we will be able to achieve MP-10 targets.

Although we were unable to reach initial targets during the second year of MP-10, our assessments indicate that we will be able to achieve these in the plan's final fiscal year. This will enable us to effectively formulate MP-11.

In summer season products in Japan, the inability to reach our targets is due to a lower share following weather-related market growth stagnation and intensifying competition. To address this, we have renewed our lineups, including product improvements and new releases. In addition, we have developed comprehensive proposals for summer season products that only the Gatsby brand can achieve, including combination body sheets for deodorant spray users.



In the women's cosmetics business, we have undertaken initiatives in areas with high growth potential, readjusting our product mix to emphasize the strong-performing Bifesta brand. In addition, we have improved product competitiveness

overseas by releasing renewed versions of Pixy Two Way Cake, a mainstay item in Indonesia.

In the overseas business, we focused on expanding our business areas—including the establishment of a consolidated subsidiary in India—and invested in marketing with an eye to future growth.

Forecasts for the Fiscal Year Ending March 31, 2014, the Final Year of MP-10

We will work to achieve the MP-10 targets.

For the final year of MP-10, Mandom aims to exceed the plan's initial consolidated net sales target in terms of growth, achieve a consolidated operating income ratio of above 10% regarding profitability, and maintain a payout ratio of above 40% to return profits to shareholders.

Performance Forecasts for the Fiscal Year Ending March 31, 2014

Consolidated net sales

¥66,500 million (10.1% increase on previous period)

Consolidated operating income

¥6,650 million (11.8% increase)

Consolidated ordinary income

¥6,860 million (9.9% increase)

Consolidated net income

¥3,800 million (5.3% increase)

We aim to achieve double-digit growth in net sales and operating income.

In the fiscal year ending March 31, 2014, although we expect gradual improvement in Japan's economy as the stock market gains strength and the yen continues to devalue, the slowing global economy prevents us from predicting the future with any certainty. We do see gradual growth in Asia, despite the impact of the ongoing European financial crisis. In light of these conditions, the Mandom Group is pursuing the

integration of domestic and international Group companies as a way toward sustained growth.

We believe that we will be able to secure revenue growth through stable growth in the men's grooming business, stronger initiatives in the women's cosmetics business, particularly in skin care, and continuing double-digit growth (local currency basis) in our overseas business, particularly in Asia. While we will aggressively invest in market expenses for overseas and women's products, we will also drive down costs and leverage our SG&A expenses more effectively, which we believe will lead to increased profits.

Future Initiatives

We must take on numerous challenges to realize the innovations necessary for addressing change in Asia.

Mandom has been doing business in Asia for over 55 years, beginning with our entry into the Philippines in 1958. Owing to its history in this region, Mandom is generally recognized in Asia for its merit as a pioneer primarily in terms of brand loyalty.

However, various changes have occurred in Asia in the past few years that have significantly altered its market characteristics in ways that have not been seen previously. In Japan, merchandising has changed as it evolved over the

years. In contrast, various Asian countries are currently creating markets where cutting-edge business categories coexist with traditional ones. Targeting these significantly changing business categories, major players from around the globe are entering the Asian market, which is creating fierce competition.

To address these major changes in the Asian market, we will not only leverage our experience and past success, but we must also create a new vision of the future and reform our current operations to achieve this vision. We aim to become an "Only One" company whose strength lies in its global management with a focus on Asia. To that end, Mandom will undertake the abovementioned innovations and maintain consistent global operations while understanding and closely reflecting in its products the diverse values of local consumers.

To achieve innovation, we must address numerous challenges in terms of R&D, production and personnel. R&D is currently conducted mainly in Japan, focusing on capturing Asian customers. However, this poses distance-related difficulties given the pace of change in Asia. Therefore, we will investigate systems that will enable us to broaden the provision of products and services along with accurately addressing the needs and wants in Asian markets, including the enhancement of our R&D capabilities in Indonesia.

Regarding our production capabilities, we will take steps



to increase productivity through plant rationalization (engage in capital investments in Japanese and Indonesian plants) in anticipation of changing conditions, including higher personnel costs accompanying economic growth.

Regarding personnel, we believe that human resource development and skill improvement are necessary in each country where the Group operates. In light of rapidly changing conditions, a major issue we face is the importance of enhancing the capabilities of local employees. In fiscal 2014, we will continue undertaking these ongoing initiatives to solve these issues.

Closing Remarks

Fiscal 2014, the final fiscal year of MP-10, is underway. As we focus on strategic measures to achieve the goals of MP-10, all employees of the Group will work together to solve the above issues and achieve innovation with the aim to be an "Only One" company whose strength lies in its global management with a focus on Asia. We look forward to the further support and guidance of our stakeholders in these endeavors.

July, 2013

Motonobu Nishimura
Representative Director
President Executive Officer

Masayoshi Momota
Representative Director
Vice President Executive Officer

Mandom's Production and Supply System

Mandom's overseas expansion began with the establishment of Tancho Corporation in Manila, Philippines in 1958. Since then, we have focused our overseas business growth on Asia. Our business operations in Asia have involved understanding the values of each country and area while working to satisfy local consumers by providing a variety of product lineups that suit their economic clout and tastes.

Mandom currently operates four factories at three production bases, Japan, Indonesia and China, which are able to produce and supply cosmetics that match consumer characteristics in each area of Asia.

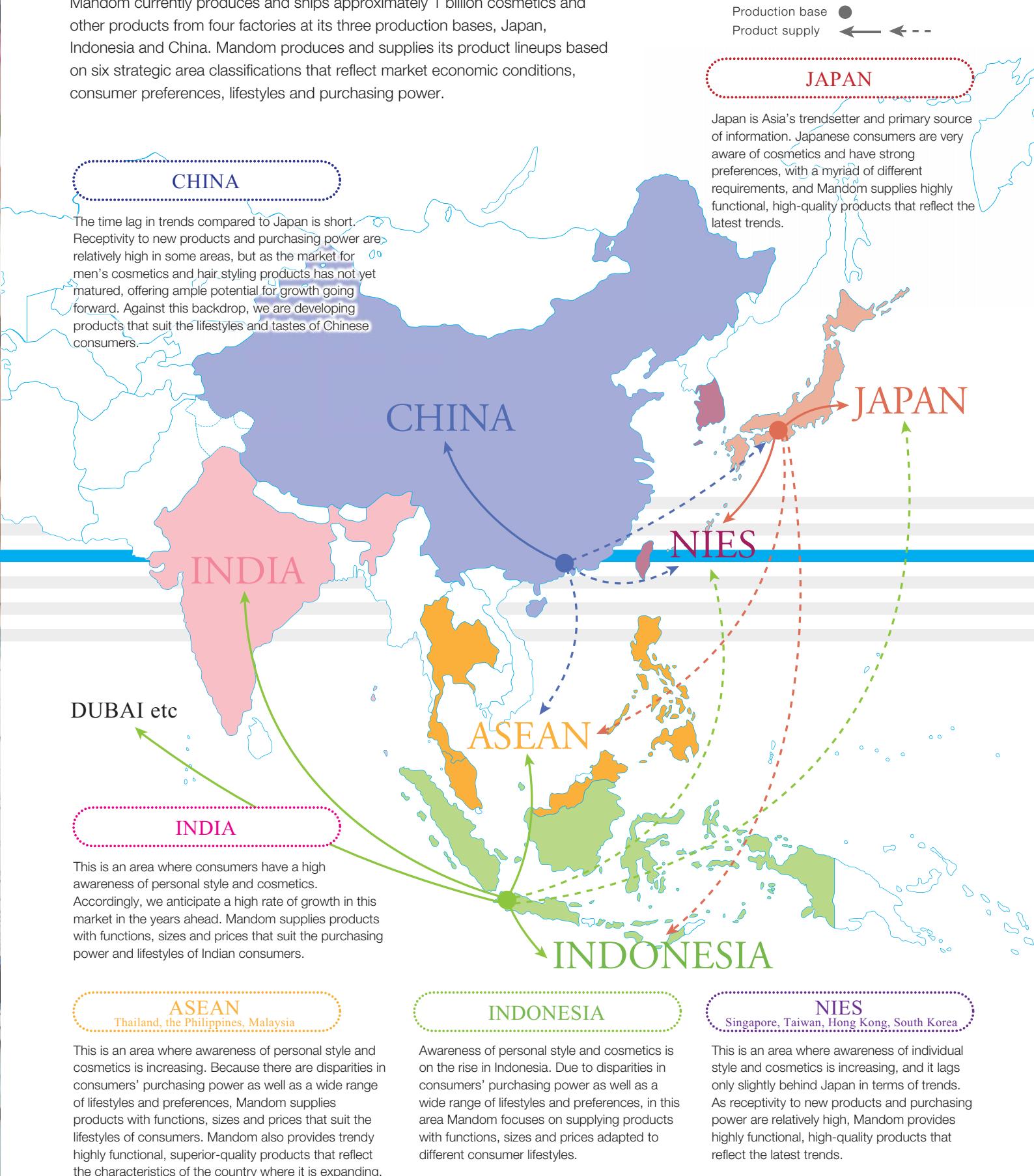
This feature introduces Mandom's production and supply system, which can address shifts in consumer trends as the Asian market continues to develop.

Special Feature



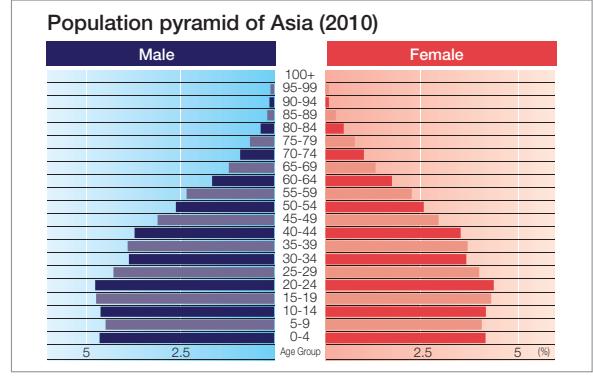
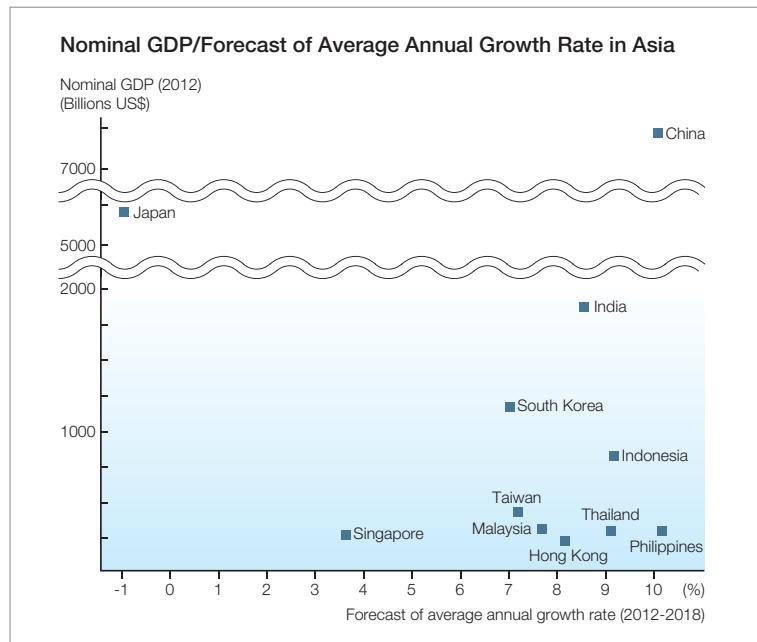
1. Production and Supply System and Area Characteristics

Mandom currently produces and ships approximately 1 billion cosmetics and other products from four factories at its three production bases, Japan, Indonesia and China. Mandom produces and supplies its product lineups based on six strategic area classifications that reflect market economic conditions, consumer preferences, lifestyles and purchasing power.



2. The Booming Asian Cosmetics Market

Mandom is currently expanding its business centered on Asia, which is in the midst of rapid economic growth. Experiencing a population boom, Asia is forecasted to expand its economic and market size as an area that will drive global growth.



We expect the Asian cosmetics market to grow because of increases in the prices, functionality and quality of Mandom products. This growth reflects higher demand for cosmetics, improved purchasing power along with changing lifestyles and preferences accompanying economic growth. Under these circumstances, Mandom aims to build a production and supply system responsive to higher cosmetics demand as well as required improvements in functionality and quality.

3. Mandom's Production and Supply System Objectives

(1) Mandom's Production and Supply System Objectives

Mandom aims to build a production and supply system able to keep pace with the rapidly changing and expanding Asian market. Significant disparities exist among Asian countries. For example, Japan is an area where consumers are highly aware of cosmetics and possess substantial purchasing power, making it a market oriented toward highly functional, superior quality products. Yet in the ASEAN region, although consumer awareness of personal style has risen, the existing gaps in purchasing power make it an area where we are tailoring product functions, sizes and prices to suit consumer lifestyles.

As the Asian market grows, changes in product mix accompany market expansion, intensifying competition, and shifts in consumer purchasing power and preference. Accordingly, it is becoming necessary for us to build a production and supply system that reflects these changes.

To that end, Mandom aims to build a production and supply system that leverages the synergies of each production base. Through this system, we will increase production volume while enhancing price and quality

competitiveness to flexibly address expected market growth and intensifying competition in Asia.

(2) Realizing Our Production and Supply System Objectives

In the fiscal year ending March 31, 2014, Mandom will undertake capital investment at the Fukusaki and Sunter factories in order to build a production and supply system responsive to market growth in Asia.

These investments will allow the Fukusaki Factory to adapt to changes in the Japanese market and the rising demand for highly functional, superior quality products accompanying increases in production levels in Asian countries. In addition, the Sunter Factory will be relocated to the new Cibitung Factory to establish a production system that can increase production volume in line with growing demand while providing stable-quality, lower-priced products.

Looking ahead, Mandom will develop flexible and suitable production strategies able to address the economic conditions of Asian countries while meeting consumer needs and wants.

Fukusaki Factory (Japan)

Boasting sophisticated production technology and the latest facilities, the Fukusaki Factory turns out highly functional and high-quality products that directly address the latest trends and consumer wants in Japan. This factory primarily supplies products to the Japan and NIES areas.

We are developing mass-production technology that stably mass-produces products of the same consistent quality as well as an integrated production system that encompasses everything from content filling to finishing and packaging. In addition, we maintain superior price competitiveness by manufacturing aerosol and paper products internally.

Serving as part of a flexible production system that is responsive to changing market needs, we aim to transform the Fukusaki Factory into a facility capable of continuously innovating production technology to improve product quality while functioning as a mother factory that supports this innovation at other Group production bases.

- Site area: 71,058m²; Annual production volume: 150 million units*



Fukusaki Factory

Zhongshan Factory (China)

The Zhongshan Factory manufactures core products using the development and production know-how transferred from Japan. Primarily supplying products to China, this factory also provides products on a supplementary basis for Group companies.

Our goal for the Zhongshan Factory is develop a facility able to address product strategies that will allow us to keep pace with the Chinese market, which is anticipated to significantly expand.

- Site area: 27,253m²; Annual production volume: 12 million units*



Zhongshan Factory

Sunter Factory (Indonesia)

Through an efficient product system and distribution structure, this factory possesses a competitive edge in both quality and cost. This factory primarily supplies the Indonesia, ASEAN and India area as well as other locations via the International Trading Business.

The Sunter Factory, Mandom's largest in terms of production volume, supplies products to Asian countries thanks to its flexible design capable of high-mix, low-volume production.

Our objective is to enable these factories to produce stable-quality, lower-priced product lineups that suit Asian consumers' wide array of wants while functioning as production centers that supply products throughout Asia.

- Site area: 36,153m²; Annual production volume: 782 million units*



Sunter Factory

Cibitung Factory (Indonesia)

The Cibitung Factory handles the molding of containers that feature superior quality and pricing. This factory primarily manufactures containers used for products manufactured by the Sunter Factory.

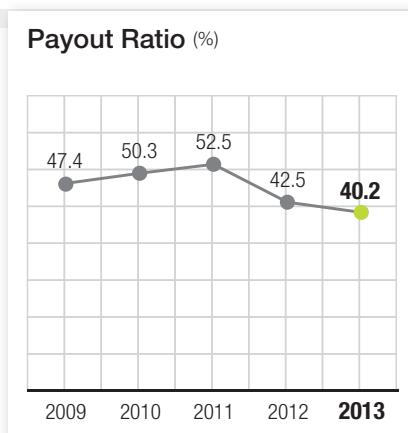
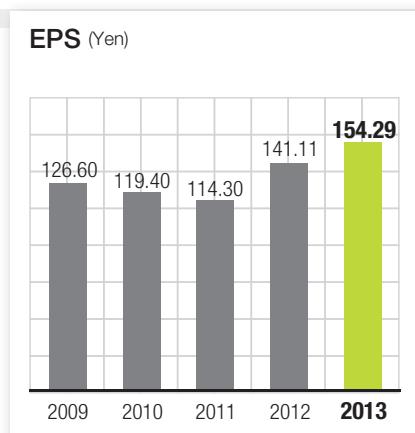
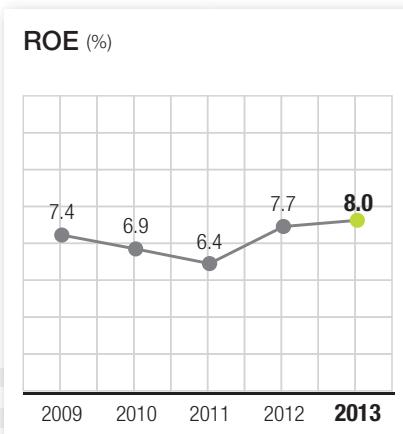
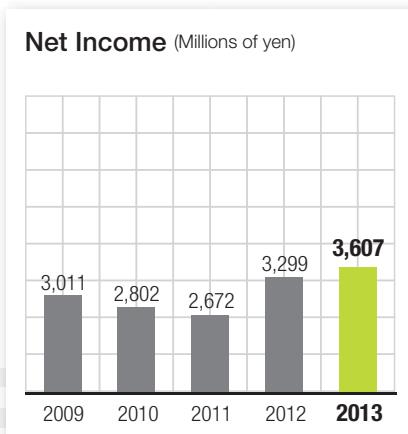
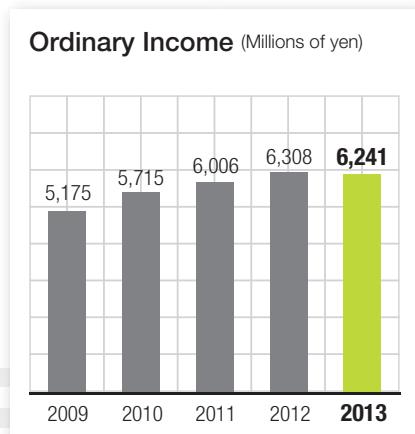
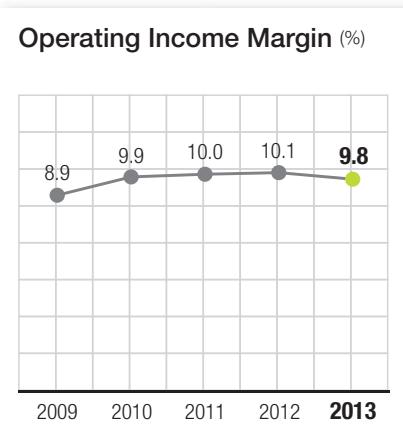
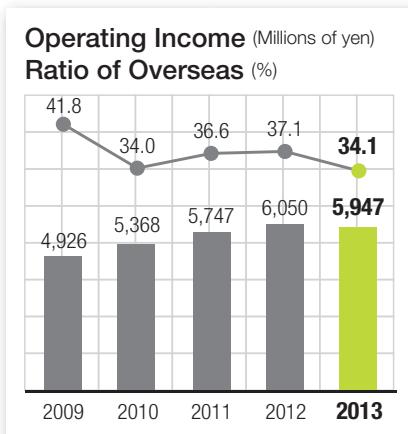
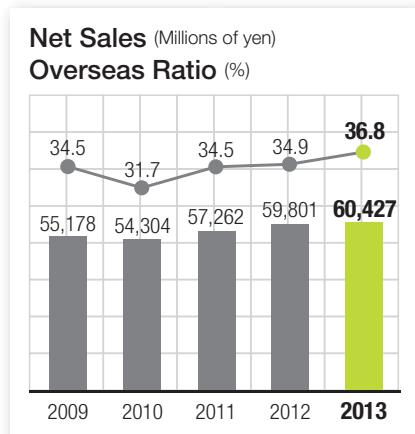
Possessing a container molding factory, a rarity in cosmetics manufacturing industry, the Cibitung Factory is able to improve container quality, reduce costs, maintain a stable packaging supply and flexibly adjust production.

- Site area: 54,422m²

*Annual production volume based on fiscal 2012 performance



Cibitung Factory



(Years ended March 31)

Summary of Consolidated Business Results for Fiscal 2013

Net Sales

Net sales increased ¥625 million (or 1.0%) year on year, reaching ¥60,427 million and marking our third consecutive year of record sales. Sales of summer season products in our core Gatsby line were slow in Japan through the second quarter of fiscal 2013. In contrast, overseas sales of men's grooming products centered on Gatsby were robust, with gains more than making up for the domestic shortfall.

Income

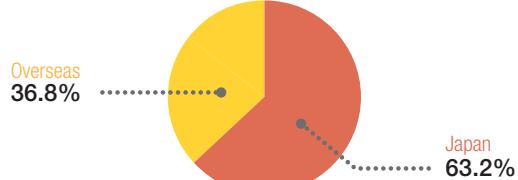
Mandom recorded operating income of ¥5,947 million, down ¥102 million (or 1.7%) year on year. We made our best efforts to invest

effectively in marketing (sales promotion and advertising expenses) for the Japanese market. At the same time, aggressive investment in marketing (sales promotion and advertising expenses) in Indonesia and other overseas regions increased expenses. Ordinary income amounted to ¥6,241 million, which dipped ¥66 million (or 1.1%) compared with the previous fiscal year. Mandom, however, recorded record-breaking net income of ¥3,607 million, a ¥308 million (or 9.3%) year-on-year gain. This increase in net income was primarily due to decreases in extraordinary losses and domestic corporate income tax rates.

Area Development

The Mandom Group does business in six strategic areas: Japan, Indonesia, ASEAN, NIES, China and India. We strive to align our philosophy and the policies common to our Group with local social and market characteristics.

Domestic/Overseas Ratio of Consolidated Net Sales



Japan

- Area Ratio **63.2%**
- Net Sales **38,208** million yen
- 1.9%** decrease compared with previous fiscal year

In Japan, the Group's core operating area, growth in the domestic market remains restrained due to factors including an increasingly low birthrate and aging society coupled with price reductions. With companies in other industries entering the field, these factors all point towards intensifying competition. Despite this, new growth sectors are emerging in the domestic market thanks mainly to lifestyle changes. In men's cosmetics, Mandom is implementing its middle-range, three-year plan, MP-10, to retain and expand its high market share, drive the market as its leader and maintain steady growth. For women's cosmetics, Mandom will leverage a reasonable and high-quality line of products that meet consumer wants.

Indonesia

- Area Ratio **22.4%**
- Net Sales **13,510** million yen
- 0.4%** increase compared with previous fiscal year

In Indonesia, an area of paramount importance for Mandom's overseas business, there is significant economic growth with further market growth expected in line with increasing income levels. Through MP-10, Mandom will, in addition to its existing product range, leverage a lineup that reflects the changes in preferences, lifestyles and buying behavior brought about by the higher purchasing power of consumers, with a view to expanding sales in this growing market.

Other Overseas

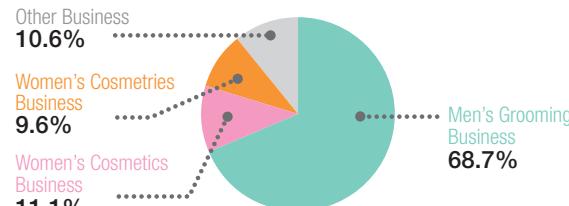
- Area Ratio **14.4%**
- Net Sales **8,708** million yen
- 17.6%** increase compared with previous fiscal year

Asia is the business area that will drive growth in the future. Increasing populations and higher lifestyle standards stemming from economic growth in each country point toward a market that will continue to grow. In men's hair-care products, Mandom will implement MP-10 to build and drive the market, while in other product areas the company will increase sales through leveraging a product lineup that reflects the characteristics of each area.

Product Expansion

The Mandom Group has six strategic business units, including the men's grooming business, the women's cosmetics business and the women's cosmetics business. Development of these businesses hinges directly on the precise wants of consumers in each domain.

Consolidated Net Sales- Ratio of Each Business



Men's Grooming Business

- Business Ratio **68.7%**
- Net Sales **41,504** million yen
- 0.2%** decrease compared with previous fiscal year



This business handles a product range that includes men's daily grooming and hair styling products, centering on the Gatsby and Lúcido brands. In line with MP-10, Mandom has positioned the men's grooming business as its core business and will leverage its stable growth to construct a sturdy management foundation.

Women's Cosmetics Business

- Business Ratio **11.1%**
- Net Sales **6,706** million yen
- 6.2%** increase compared with previous fiscal year



This business handles a range of make-up and skin care products that lend variety to women's beauty routines centered on the Pixy and Bifesta brands. Through MP-10, Mandom will extend and intensify the women's cosmetics business with a view to enlarging the scope of sales.

Women's Cosmetics Business

- Business Ratio **9.6%**
- Net Sales **5,781** million yen
- 7.5%** increase compared with previous fiscal year



Centered on the Lúcido-L and Pucelle brands, this business comprises a range of products including hair styling, facial and body care items that enhance the beauty of women. In the women's cosmetics business, Mandom aims to strengthen its base by reconstructing each of these brands in accordance with MP-10.

Other Business This category is made up of the Professional Use Business, Other Business, and the International Trading Business.

Domestic Operations

Japan

This is our key area, constituting over 60% of the Mandom Group's sales.



● Economic Environment

Despite ongoing weakness amid a slowdown in the global economy, the economic environment in Japan showed signs of a gradual recovery spurred by reconstruction work in northeastern Japan in the aftermath of the March 11 earthquake and tsunami as well as policies introduced by the new government beginning last December.

● Cosmetics Market Environment

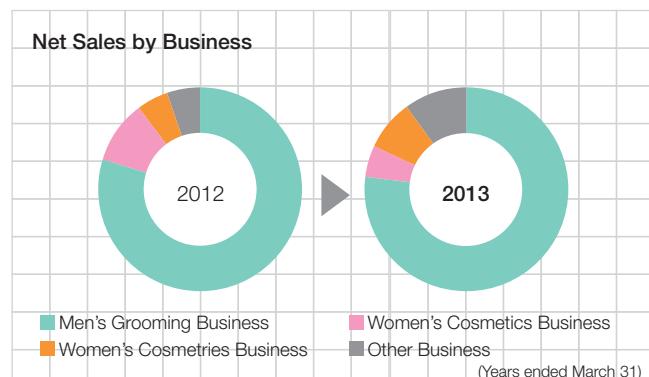
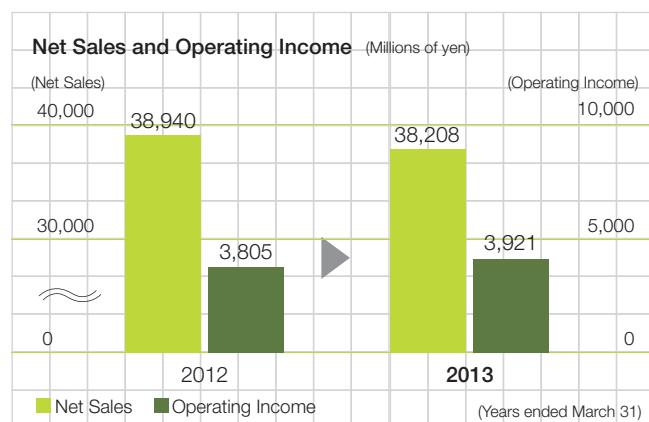
The scale of the cosmetics market environment in Japan is

approximately ¥1,400 billion (Source: Ministry of Economy, Trade and Industry cosmetics monthly report). This market has reached maturity as growth peaked mainly due to the prolonged recession and deflation. No significant growth is expected for this market in light of Japan's low birthrate and aging population.

● Mandom's Market Strengths

Mandom maintains self-service sales-based channels, including drug stores, convenience stores and volume retailers. In addition, Mandom has established a dominant position as the No. 1 men's cosmetics manufacturer and continues to develop new market categories.

We have been expanding our lineup of low-priced cosmetics sold via self-service sales retailers in recent years by strengthening measures regarding women's cosmetics as well as by leveraging existing marketing channels and retail stores. In the cleansing market, despite our small share, we are proposing new value in water base make-up cleansing and developing unique products to tap into this new market.



Operating Results for Fiscal 2013

● Overview

Net sales in Japan amounted to ¥38,208 million, a 1.9% decrease year on year, due to the major impact of slow sales of summer season products in our core Gatsby brand. This decline occurred despite the strong performance of women's cosmetics mainly accompanying the enhancement of the Bifesta women's cosmetics brand product lineup and the launch of women's body sheets.

Operating income totaled ¥3,921 million, a 3.0% increase compared with the previous fiscal year. This result was attributable to decreases in product return rate (which had risen last year) and sales distribution ratio for high cost-ratio products as well as efforts to enhance the efficiency of marketing expenses.

Men's Grooming Business

●Market Environment

The scale of the domestic men's cosmetics market is some ¥120 billion. (Source: Mandom market data calculations) Despite slowing in recent years, the composition of this market is changing.

The hairstyling market has been shrinking yearly as entry users decrease in line with falling birthrates. In contrast, the scalp care market is growing significantly due to the invigorating effect of intensifying competition, including the release of numerous new scalp shampoos and hair tonics by various manufacturers. In addition, face and body care market remained sluggish overall due to weak sales of summer season products caused by inclement weather during the fiscal year under review. Nevertheless, we expect this market to grow as consumer awareness of face and body care increases.

●Initiatives in Fiscal 2013

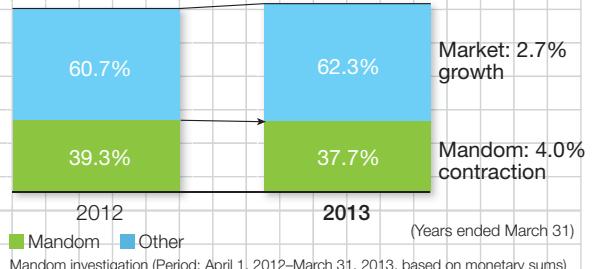
In fiscal 2013, the hairstyling market continued to contract. At the same time, the growing face and body market experienced sluggish sales of summer season products due to inclement weather and intensifying competition as companies entered this expanding market and enhanced their product lineups.

Against this backdrop, we strengthened the lineup of the Gatsby brand's Moving Rubber hair wax series, core items in

Men's Hairstyling Market Share of Sales



Men's Face and Body Market Share of Sales

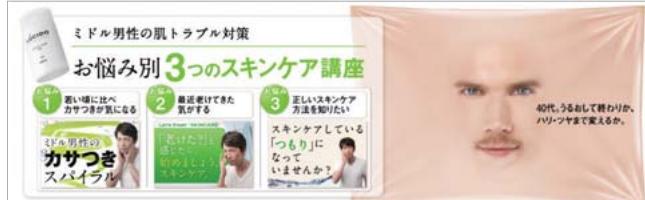


the hairstyling category. We also ran new television commercials and bolstered store promotions. Despite the ongoing contraction of the hairstyling market, Mandom's market share increased to 54.7% thanks to higher sales resulting from these marketing initiatives.



▲ Strengthened promotion of the core item, Gatsby Moving Rubber

In the face and body category, we have strengthened product variation, including not only deodorants, but also the UV product, Strong UV Cut Spray, in response to higher summer season product demand, which is as consumers awareness of face and body care rises. In an effort to develop the winter season products market, we have proposed a new concept in body moisturizing care through the release of AQUA body milk.



▲ Continue proposing aging care products for middle-to-mature age males

Regarding Lúcido, we are continuing our efforts to nurture the aging care market by targeting middle-to-mature age males in their 40s, a segment with high growth potential. As such, we worked to raise awareness among consumers toward aging care through increased store marketing clearly directed at those with skin-related concerns coupled with ongoing sampling and expanded advertising.

●Future Initiatives

Regarding GATSBY, we will release new Hair Jam styling products that target teens, a segment of entry users whose usage rate has been contracting yearly. Through this release, we plan to propose products that suit these users styling



▲ Released the new Gatsby Hair Jam styling series

wants and raise the level of this market. In addition, Mandom will work to further expand its market share by maintaining its solid market position for the core product, Moving Rubber.

In the fiercely competitive face care category, we strengthened product competitiveness by improving our entire face care series while releasing new products, ran new television commercials and redoubled store promotions.

Since its release at the end of February 2013, Perfect Scrub Wash reached No.1 in the face wash category (*monthly sales figures for April 2013) in spite of severe competition. Combined with a brand share of No. 2, Mandom products sales remain favorable.



▲ Improved Gatsby face care series

In the body care category, we will work to increase usage rates for body paper, for which Gatsby has an approximately 80% market share and, in turn, further grow this market by stimulating consumer demand. This

includes running new television commercials while further expanding various store and other promotions. In addition, we are renewing the highly effective Biocore deodorant series to enhance its wide array of variation to suit a multitude of applications. We are also addressing body odor care awareness, which is increasing yearly, by bolstering BIOCORE's deodorant power.

Regarding anti-aging proposals for middle-aged consumers through Lucido, we will work to raise body care awareness and cultivate this market by continuously expanding advertising and sampling.



▲ The renewed Gatsby's Biocore deodorant series featuring an enhanced lineup

Women's Cosmetics Business

●Market Environment

Amid sluggish sales in recent years, the women's skincare market in Japan has seen changes in consumer purchasing behavior, leading to an increase in buying cosmetics at drugstores and the release of numerous low-cost, highly-functional cosmetics by all market players. At the same time, competition is becoming increasingly fierce, with growing numbers of pharmaceutical manufacturers and other types of businesses entering the cosmetics market.

The cleansing market, which is the main business domain of our women's cosmetics business, has peaked despite remaining large in scale. We expect our share of this market to increase through the proposition of new concepts and value.

●Initiatives in Fiscal 2013

Despite signs of a slight rebound in the market, in fiscal 2013 competition became increasingly severe amid continually harsh market conditions and redoubled marketing activities by various companies.

Under these circumstances, we worked to expand recognition of our core Bifesta brand and Water Cleansing series. In addition, we worked to raise awareness of water cleansing-type cleansers' new value and promote their use. With Japanese actress and model Anna Tsuchiya serving as the new spokesperson for the Bifesta brand, we redoubled store promotion while airing new television commercials and



▲ Expanded recognition of the Water Cleansing series by running new television advertisements

conducting sampling. Thanks to these initiatives, sales have increased while the size of the cleansing lotion category grew over 20%. In addition, we recently released the Bifesta Mirai Bihada skincare series, a simple yet sophisticated product that targets women in their 30s based on the same time-saving cosmetics concept used by the Water Cleansing series. We have worked to make Bifesta Mirai Bihada a market fixture through comprehensive marketing in stores. Amid fierce competition, however, rival products have driven down sales of Bifesta Mirai Bihada.

●Future Initiatives

In addition the initiatives undertaken to date, we will redouble our efforts centered on Bifesta and the Water Cleansing series while working to further increase the recognition level of these brands. In addition, we will undertake market development in the cleansing lotion

category. We will also cultivate these brands by enhancing product lineups, which includes releasing new highly popular 2-in-1-type oil-free cleansers that combine cleansing and facial washes in one package, to address consumers' various cleansing-related wants.



▲ Released 2-in-1-type cleansers

and other factors, we enjoyed very strong performance that contributed to double-digit growth in the continually sluggish domestic women's cosmetries business.



▲ Renewed Lúcido-L brand hair wax series

●Future Initiatives

We will focus on strengthening the in-store appeal of Lúcido-L's strong-selling hair wax series with the aim of maintaining the No. 1 market share of the hair wax category. We will enhance the variety of Mandom body sheets,



Strong-selling Mandom body sheets ▶

Women's Cosmetries Business

●Market Environment

The women's hair styling market has contracted in recent years along with almost all product categories. However, hair cream and hair milk, hair oil non-bath treatments are enjoying strong sales as products that treat dry, brittle hair amid rising usage rates for hair irons and hot rollers.

Despite steadily contracting each year, the body care market is experiencing changing product trends following the growth of body sheets and lotions in response to hot weather and growing energy conservation in recent years.

●Initiatives in Fiscal 2013

In fiscal 2013, the women's styling market remained largely unchanged as it continued to shrink.

Under these circumstances, we updated the image of Lúcido-L brand, renewing the core items in that brand's hair wax series to address consumer shifts toward natural styling products. As a result, our market share increased over 20% on the back of higher sales in the contracting hair wax market. However, the Lúcido-L brand as a whole experienced negative growth mainly due to a reduction in the hair color series.

On the other hand, Mandom body sheets featuring Disney characters captured the fourth largest share of the body care market during the first fiscal year of its release. Thanks to this

which have been highly successful, by adding new fragrances. We will also expand the product lineups of women's summer season series, which are expected to grow. To this end, we launched Splash Deo Water, a new product featuring various Disney characters.



▲ Expanded summer season series lineups by launching Mandom Splash Deo Water

Overseas Operations

Indonesia

Indonesia is the Group's largest overseas business area, acting as a key driver for Mandom's overseas business.



● Economic Environment

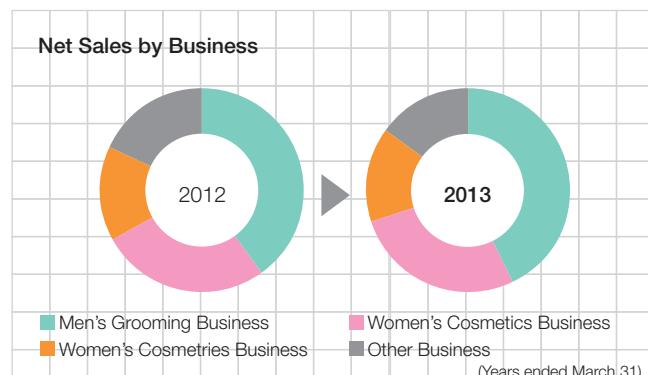
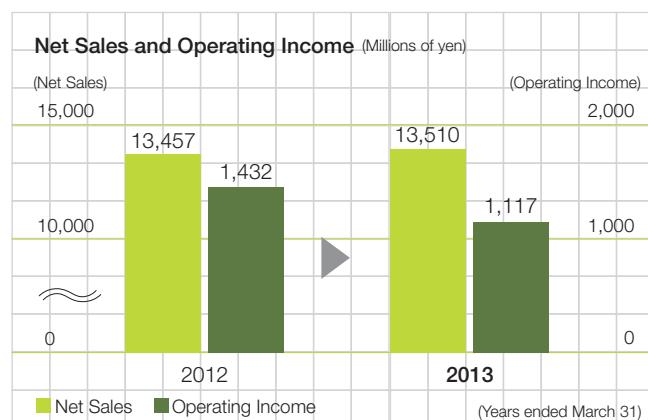
Amid rapid economic growth in recent years, Indonesia's consumer market has expanded on the back of higher income levels and accelerated changes in living conditions. In particular, ongoing growth of consumer markets is being buoyed by an increasing middle-class as wages rise along with an upswing in internal demand, reflecting a declining poverty rate. This promising consumer market, which boasts the world's fourth largest population at 240 million, is experiencing a rising influx of overseas companies. Accordingly, the Indonesia consumer market is booming and is forecasted to enjoy high economic growth rates in the years ahead.

● Cosmetics Market Environment

The cosmetics market is expected to grow at a high rate due to increasing consumer demand, quickly changing consumption behavior as well as indications of rising interest in highly-functional products and purchase prices. Previously, traditional markets comprised mainly of privately owned stores dominated retail sales in Indonesia. In recent years, however, numerous major overseas retail chains have entered the market and are expanding their operations, leading to a rapid modernization of this market. In this modern market, international cosmetics manufacturers are expanding the sales of men's and women's items. As this market grows, competition is expected to intensify even further.

● Mandom's Strengths in the Indonesian Market

Mandom began operating in Indonesia in 1969. At that time, the concept of men's cosmetics had not yet taken hold. Proposing products that matched the wants of local consumers, we took it upon ourselves to develop and nurture a men's cosmetics market that in turn boosted our business. Currently, we are building a distribution network able to supply products to almost all of Indonesia's approximately 18,000 islands. Boasting a 70% plus share of the local hair styling market, we are Indonesia's top men's cosmetics manufacturer and have enjoyed strong growth in women's cosmetics in recent years. With the percentage of domestic sales almost evenly divided between men and women, Mandom is a general cosmetics manufacturer that enjoys the highest brand recognition among local consumers.



Operating Results for Fiscal 2013

● Overview

Net sales in Indonesia in fiscal 2013 increased 0.4% year on year to ¥13,510 million. Although domestic sales mainly of the Gatsby and Pixy brands remained strong, external trade primarily to Dubai was sluggish and currency exchange losses were caused by the strong yen.

Operating income decreased 21.9% year on year to ¥1,117 million largely because of high raw material prices accompanying cheaper local currencies, active marketing investments in Indonesia's growing modern market and higher personnel expenses.

Men's Grooming Business

● Market Environment

The men's cosmetic market continues to experience double-digit increases and is expected to remain strong in the years ahead thanks to growing consumer demand and awareness of personal style accompanying rising income rates. Against this backdrop, the robust expansion of this modern market is being driven by the rising influence of major retail chains. In particular, competition in the face and body care category is expected to intensify as consumer awareness of personal care increases and international manufacturers

boost operations in their specialty areas.

● Initiatives in Fiscal 2013

Each product category continued to perform well overall in fiscal 2013, as the men's cosmetics market as a whole remained robust.

Under these circumstances, we expanded Gatsby's product lineup and improved its brand image in order to address the diverse wants of the expanding middle-class and wealthy consumers as well as the growing modern market. To achieve these goals, we took such initiatives as releasing the Japan-produced hair wax Moving Rubber in Indonesia as a high-value-added Gatsby brand product and running new television commercials. In addition, we launched Gatsby brand shampoo products as an expanding new category.



▲ Launched Gatsby hair shampoo products as an expanding new category



▲ Released the Gatsby Cool Shock series

We redoubled our initiatives in the intensely competitive face and body care category. These included strengthening store sales of our face

care series, which was renewed in the previous fiscal year, and working to differentiate us from the competition by improving the entire Cool Shock series of deodorant lotions featuring an even cooler sensation.

● Future Initiatives

We will increase the freshness of core Gatsby brand products by renewing the No. 1 hairstyling item, Water Gloss hair gel. We will also expand product competitiveness and variation through such measures as launching the Urban Cologne series, which meets changing wants as awareness of personal style increases.

In light of the forecasted intensification of competition, we will maintain our high hairstyling market share while expanding our share of the growing face and body care market by leveraging the nearly 100% brand recognition ratio of Gatsby, our key competitive advantage. At the same time, we will address rapidly changing market conditions and consumer wants in a flexible and timely manner.



▲ Renewed the entire Gatsby Water Gloss series



▲ Launched the Gatsby Urban Cologne series to strengthen product lineup

Women's Cosmetics Business

● Market Environment

Just like the men's cosmetics market, the women's cosmetics market experienced double-digit growth owing to increases in disposable income and female interest in cosmetics. Against this backdrop, international cosmetics brands have been making gains mainly in the modern market. On the other hand, products compatible with halal standards are performing well given that the majority of Indonesians are Muslims. Accordingly, we plan to enter new markets and expand product lineups that meet diverse consumer wants in tandem with future market growth.

● Initiatives in Fiscal 2013

In fiscal 2013, although competition reached a new level of severity, the size of the market remained excellent.

Under these circumstances, we strengthened the product competitiveness of Pixy by completely renewing its mainstay foundation product, Two Way Cake. At the same time, we enhanced the Pixy brand lineup through the release of Radiant Finish Lightening Cream. In combination with



▲ Renewed Pixy Two Way Cake

these actions, we worked to improve the freshness and recognition of our brand image through television commercials featuring a new spokesperson. In spite of fierce competition, these efforts enabled us to secure a 20% plus share in the make-up category.

● Future Initiatives

Looking ahead, we will continue working to make make-up products a core category of Pixy while shoring up make-up products other than Two Way Cake and will strengthen the skincare category, for which there is a large market. In addition, we will increase brand recognition by launching a new website and enhancing our information communication capability with an eye to expanding into neighboring countries.



▲ Promoted the Pixy brand with a new spokesperson

Women's Cosmetics Business

●Market Environment

Reflecting Indonesia's preference for scents, the usage rate among teenagers is high for fragrances that serve as personal style entry items. Consequently, light fragrances targeting teens is one market that is taking root. Since teens are highly sensitive to trends, new products are continuously being introduced as trend cycles rapidly change. The overall size of the fragrance market is increasing as income levels rise.

●Initiatives in Fiscal 2013

In fiscal 2013, amid continually favorable market conditions, we rebuilt the poor-performing Pucelle brand by expanding its target. In the light fragrance category, Pucelle's strength to date, we launched the Grazel fragrance series targeting women in their 20s. For teens, an existing focus segment that is very interested in personal style, we expanded target markets and product lineups, including the release of lip cream.

●Future Initiatives

We will focus on strengthening the in-store appeal of Lúcido-L's strong-selling hair wax series with the aim of capturing the No. 1 market share of the hair wax category. We will enhance the variety of Mandom body sheets, which have been highly successful, by adding new fragrances. We will also expand the product lineups of women's summer season

series, which are expected to grow. To this end, we launched Splash Deo Water, a new product featuring various Disney characters.



▲ New addition to the Pucelle Grazel fragrance series



▲ Began expanding Lucido-L

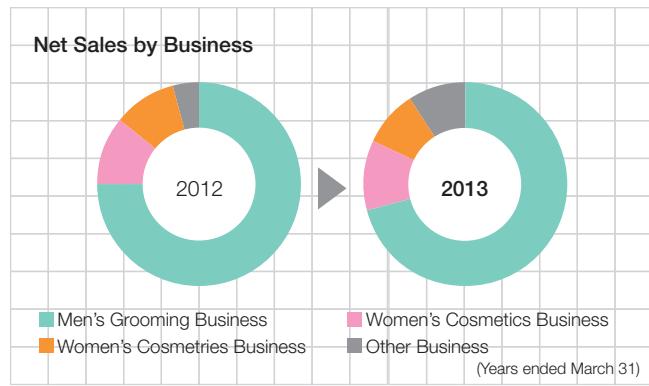
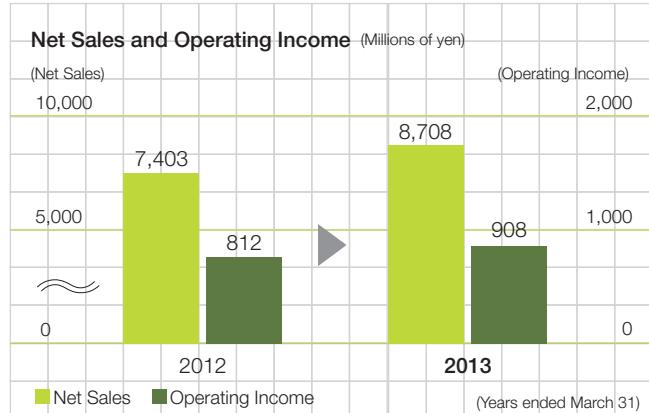
Other Overseas

We will drive our overseas business through market development and by cultivating areas with high growth potential.



●Market Environment

Asian cosmetics markets (where we are enjoying higher sales) are growing in line with economic development. Despite this, in the NIES areas (Singapore, Hong Kong, Taiwan and South Korea), which have relatively high GDP levels, markets have already matured and have become fiercely competitive following the entry of Japanese and international cosmetics manufacturers. Conversely, the ASEAN area—including Thailand and other Southeast Asian nations, Malaysia and the Philippines—cosmetics markets are not large. In recent years, however, the pace of economic growth has accelerated, revealing a high level growth potential. Consequently, we believe that the cosmetics category will increasingly expand as European, American and other cosmetic manufacturers enter these markets at an accelerating rate.



Operating Results for Fiscal 2013

●Overview

In the year under review, net sales in other overseas locations amounted to ¥8,708 million, a 17.6% increase year on year. Despite currency exchange losses accompanying the strong yen, this result was attributable to double-digit revenue increases on a local currency basis (excluding certain regions) amid robustly expanding businesses in Asian countries mainly as a result of the growth of Gatsby and the broadening of Bifesta into other product categories. Operating income totaled ¥908 million, an 11.8% rise year on year, thanks to higher revenue. This increase occurred despite higher cost of sales in line with cheaper local currencies overseas as well as aggressive marketing in growing overseas markets that drove up expenses.



▲ Aggressive promotions to expand brand recognition overseas

●Initiatives in Fiscal 2013

●China

Despite a slight slowdown, the rate of economic growth in China remains high. Consequently, the women's cosmetics market is expanding at a strong pace. In contrast, the men's cosmetics market remains small despite its high growth potential and is in need of further cultivation.

In fiscal 2013, Mandom maintained double-digit growth thanks to the minimal impact of boycotts of Japanese products triggered by the territorial row between Japan and China that began in 2012. We have worked to promote Mandom and expand businesses in China by bolstering the core Gatsby brand and skin-care brand Barrier Moist in the growing women's cosmetics market. Looking ahead, we will work to secure a superior position and expand businesses by continuing to cultivate the men's cosmetics market.

●Indochina

In Indochina, we forecast rapid economic development despite GDP remaining low. The combined population of all five Indochina nations is over 240 million, which is nearly equivalent to Indonesia. Accordingly, this area shows great promise as a consumer market that is expected to grow in the future. At present, although the number of competing manufacturers entering Indochina cosmetics market remains limited, this market is in the process of growing, the pace of which is expected to increase.

In Thailand, we are developing area-specific products and enhancing lineups under the Gatsby brand. In addition, we are

experiencing robust business expansion thanks to stronger measures concerning the Bifesta brand—which has become the No. 1 brand in Thailand's cleansing market—and expansions to our distribution network in that country. Markets are expanding in the neighboring countries of Vietnam, Myanmar and Cambodia. Accordingly, we are developing these markets through such measures as running television commercials to increase awareness of Gatsby as well as maintaining and expanding distribution networks. With Laos also showing promise as a growth market, we will expand the scale of our business operations throughout Indochina.

●India

India boasts the second largest population in the world. With Indian consumers preferring fragrances while possessing a high awareness of personal grooming, this promising cosmetics market is expected to grow in tandem with India's economic expansion.

With the aim of further expanding in this burgeoning market, we have successfully increased our position in India as part of our existing trading business area of Indonesia through the establishment of Mandom Corporation (India) Pvt. Ltd. in March 2012. This new subsidiary began full operations in July 2012. In addition to building a distribution network in growth areas, we are working to increase recognition of the Gatsby brand and become entrenched in this market by enhancing marketing primarily focusing on promotional events for university students and young consumers.

Our Mission

Aiming to Provide a Comfortable Lifestyle Supported by Health and Beauty

Experiencing beauty and the feeling of excitement and gratification beauty produces, has a positive impact on the human body and mind, resulting in a healthy condition. This is why we adhere to the words, "health and beauty".

In our opinion, contributions to a comfortable life can be achieved by creating valuable and attractive products or services that appeal to the consumers' sense of beauty, and by acquiring as many customers as possible. We aim, above all, to maximize consumer satisfaction.

Our Values

We believe that a company will continue to grow and be respected in the society if it can successfully balance of the satisfaction of its consumers, employees and other stakeholders, while at the same time, embodying its corporate philosophy.

Creating Lifestyle Value With Consumers, For Consumers

The words "beauty", "health", "cleanliness" and "fun" summarize our business. We will do our best to listen to our consumers' needs and wants and turn them into attractive products and services, and to bring those "values" to as many consumers as possible.

Active Employee Participation

The corporate name "Mandom", deriving from "Human" and "Freedom", represents the respect for human dignity and a liberal atmosphere. At the core of the Mandom Group is an environment where employees can freely demonstrate their creativity through open and lively discussions. The continuous growth of both the individuals and the entire organization will enhance our value.

Social Responsibility and Sustainability

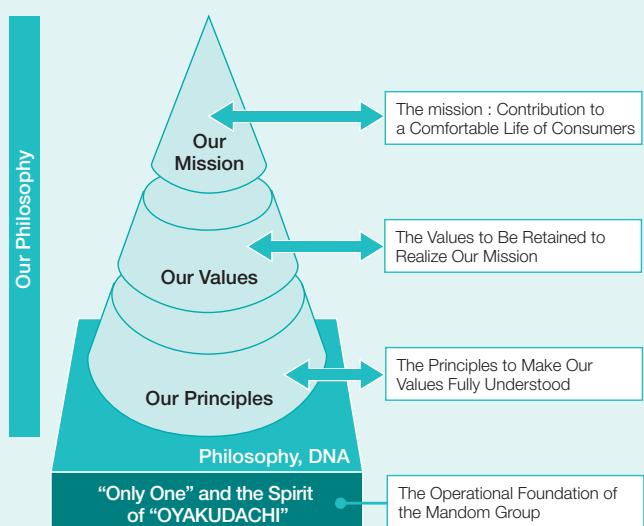
We will try to establish mutual communication with our stakeholders in order to build and sustain favorable relationships with them. We aim to respond quickly to their demands on our economic and social responsibilities. We will also be "a good corporate citizen" and dedicate ourselves to society's development.

Our Principles

The following principles are the standards of our daily operations. When conducting our operations, we always keep in mind that the society is developing day-by-day. To catch up with the latest trends, we are determined to exercise ingenuity by thinking and working simultaneously, and this resolution is represented by our coined word "KohDoh", which literally means, "thinking and working". Daily efforts of "KohDoh" are the key to the realization of the "Only One" company.

- 1 "KohDoh" for Value Maximization
- 2 "KohDoh" for Self-actualization
- 3 "KohDoh" for Profitability Enhancement
- 4 "KohDoh" for Good Ethics
- 5 "KohDoh" for Successful Business Partnerships
- 6 "KohDoh" for Environmental Preservation
- 7 "KohDoh" for Philanthropy

The Concept Of Our Philosophy



Mandom undertakes business activities in accordance with a philosophy that is rooted in the concepts: "Only One" and the Spirit of "OYAKUDACHI" ("usefulness"). These concepts form the operational foundation of the Mandom Group. The realization of Our Philosophy involves contributing to the development of society through the fulfillment of our social responsibilities.

Mandom has overcome two management crises over its history. This experience has made us realize that our future existence depends on being a company that plays a vital role in society "by contributing to a comfortable life of consumers." Undertaking business activities that take to heart the concept of "contributing to a comfortable life of consumers," we have nurtured the Spirit of "OYAKUDACHI." Guided by this spirit, we have begun leveraging our businesses to significantly expand the above two concepts.

Expand Our Two Concepts through Business Activities Guided by the Spirit of "OYAKUDACHI"

(1) Expand the number of people benefiting from the Spirit of "OYAKUDACHI"

We will expand the number of people benefiting from the Spirit of "OYAKUDACHI" by playing a useful role through our business activities.

(2) Expand opportunities to experience the Spirit of "OYAKUDACHI"

Not stopping at introducing consumers to its products, Mandom is playing a useful role by expanding opportunities for consumers to experience the Spirit of "OYAKUDACHI" through Mandom's business activities.



Expand Mandom's Usefulness

(1) Provide products useful to consumers

Mandom undertakes business activities to provide safe, highly functional, high-quality products that are useful to as many consumers as possible. Establishing the Mandom Quality Philosophy and the Fundamental Quality Policy, we work to promote a common standard of awareness within the Group while systematically leveraging consumer feedback and objective viewpoints to maintain and improve quality.

- **Product development based on Our Values, creating lifestyle values of our consumers, for our consumers**

We develop and provide products from consumer points of view by investigating and analyzing their needs and wants.

- **Technological development that enhances the value of products and services**

Pursuing and assessing functionality and effectiveness by incorporating our advanced proprietary technologies, we create high-quality, attractive and unique products that feature container designs.

- **Initiatives that improve quality**

We undertake quality assurance and improvement measures to enable consumers to use products safely and reliably over their entire life cycle, from purchase to disposal.

- **Measures that reflect customer feedback in products**

We have established a consumer consultation office that serves as a comprehensive contact point for receiving customer feedback. Customer inquiries are stored on a database made available to relevant departments and managers in order to improve product development and daily operations. In addition, we investigate and then respond to customer inquiries as well as provide information on frequently asked questions on Mandom's website.

- **(2) Play a useful role for business partners**

Mandom shares its goal of "contributing to comfortable lives of consumers" with its business partners. To that end, we foster close communications with our business partners by engaging in fair and transparent transactions and by building stable trusting relationships as a good partner with aim of achieving long-term mutual prosperity. In addition, we strive to clarify and promote a common standard of awareness within Group of the Guidelines of Our Business Activities (Procurement Activities and Sales and Marketing Activities), which outline various ideas and attitudes concerning business activities.



Create preservative-free product incorporating alkanediol

- **Measures that ensure fair and transparent transactions**

Hold seminars based on Antimonopoly Act compliance programs
Make available our internal reporting system, Helpline System, to business partners

(3) Play a useful role for shareholders and investors

Mandom works to disclose corporate information in a proactive, timely, proper and fair manner to enable a wide array of stakeholders to appropriately determine the Company's corporate value. In addition, we strive to clarify and promote a common standard of awareness within Group of our Corporate IR Activities.

- **Measures to accelerate information provision**

Mandom IR Email Delivery Service



(4) Play a useful role for employees

Considering employees to be assets to the Company, or more specifically, Jinzai ("human treasure"), Mandom is a place where people can find self-fulfillment on the job. Creating work environments where all employees can maximize their individuality and abilities, we offer learning opportunities intended to help them grow together with our corporate value. We also strive to build a safe and healthy work environment at the Fukusaki Factory in accordance with our Occupational Safety and Health Policy.

- **Various training program and systems to realize employee self-actualization**

Undertake the Overseas Training System, a short-term study exchange program for employees
Offer overseas exchange training for Mandom Group employees

- **Work to maintain work-life balance that enables employees to work effectively at each life stage**

Maintain support systems for such programs as the childcare/work, childcare leave and nursing leave systems
Conduct career design training for employees in their 30s and 40s as well as second career seminars for employees in their 50s

(5) Play a useful role for society

Mandom contributes to society in the long term by being "a good corporate citizen" that dedicates itself to society's development and undertaking CSR activities through its businesses.

- **Pursue activities to achieve the dreams of Asian youth and encourage personal expression**

In the "GATSBY DANCE COMPETITION," contestants are not only judged on their dance moves, but also on their overall attractiveness in such areas as hairstyle and fashion sense.



The "GATSBY Student Commercial Awards" supports the creative activities of young people through the creation of GATSBY brand-themed television commercials.

- **Develop Youth**

Ran "Science Experiment Classes" for elementary school students



- **Supporting education, culture and sports**

Support wheelchair athlete Jun Hiromichi



Sponsor the Japan Sport Council
Support the Japanese Society for Alternatives to Animal Experiments

- **Engage in volunteer activities**

Support green space projects in Osaka Prefecture
Participate annually in Clean Osaka

and Fundamental Environmental Policy, which enable the construction of an environmental management system that will contribute toward initiatives for even more substantial environmental preservation activities.

- **Develop low-environmental load products by promoting the 3Rs (reduce, reuse and recycle) in their designs**

Developed paper pack and standing pouch refillable products

- **Initiate measures to prevent global warming, including energy conservation and the reduction of CO₂ and other greenhouse gas emissions**

Focused on modal shifts to reduce CO₂ emissions during transport

- **Take actions to prevent pollution, including reducing atmospheric contaminants along with managing chemical substances and wastewater quality**

Implemented measures that included improving boiler usage efficiency and introducing electrical water heaters

- **Undertake initiatives to create a recycling-oriented society that include reducing and reusing waste materials and effectively utilizing water resources**

Promoted resource recycling including the manufacture of pellets from plastic

(6) Undertake environmental initiatives

Recognizing that environmental protection is an integral aspect of its CSR, Mandom works to preserve the environment in all of its business activities. In addition, we have formulated and promote our Environmental Philosophy

We believe the mission expected of the Company by society is to generate high-quality profits and to achieve sustainable, sound growth together with its stakeholders, including society, by pursuing efficiency (performance), based on the principle of ensuring soundness (compliance) in management. To this end, the entire Group is working to broaden and strengthen its corporate governance.

Mandom employs the Audit & Supervisory Board of corporate governance, and rigorous legal audits by the Audit & Supervisory Board Member form the foundation of the Company's corporate governance. We ensure fairness and transparency in management by separating the decision-making and oversight functions from the business execution function. To this end, we have combined the appointment of external directors with an executive officer system and the business function unit system to form a single integrated framework.

Rigorous Legal Audits

Mandom is strengthening its rigorous legal auditing function based on an independent standpoint by appointing a lawyer who is an expert on corporate legal affairs and personnel with abundant administrative leadership experience as External Audit & Supervisory Board Member. In addition, the Company has ensured effectiveness in auditing by the Audit & Supervisory Board Member by establishing the Regulations to Ensure Effective Statutory Audits, putting in place a reporting system for the Audit & Supervisory Board Member and clearly defining statutory audit obligations and methods.

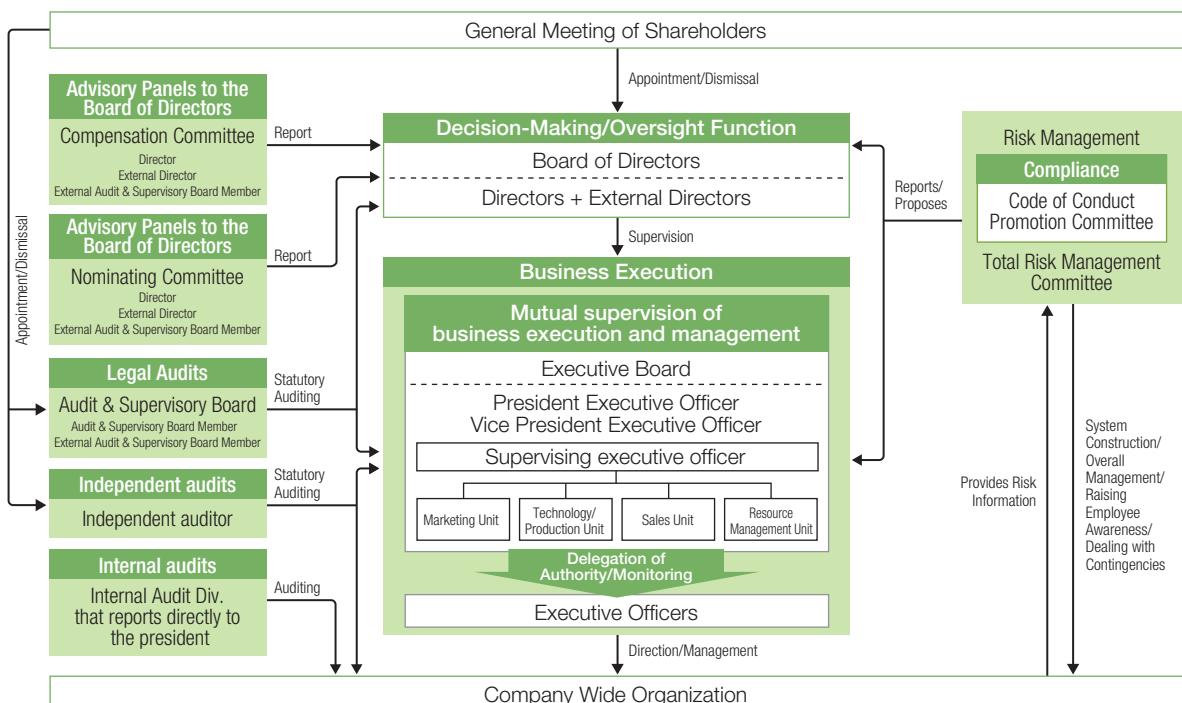
Separation of the Decision-Making and Oversight Functions from the Business Execution Function

After introducing an executive officer system in June 2001, Mandom abolished the system of executive directors with special titles in June 2004 and shifted to a system of executive officers with special titles, whereby authority for business execution is delegated to executive officers.

In this way, the Company makes it possible for directors with equal standing on the Board of Directors to delegate authority to the executive officers and devote themselves to mutual supervision, oversight of business execution, and decision-making optimal for the Group as a whole. Furthermore, in June 2003, Mandom shortened the term of office of directors to one year, clarified their management responsibility, and developed a framework to enable the creation of a flexible management structure catering to changes in the management environment.

This has enabled us to clearly define the responsibility of executive officers, including executive officers with special titles, and ensure flexibility in business execution through the adoption of a system of executive officers with special titles and the delegation of authority. We also introduced the business function unit system, under which we clarify the executive functions and responsibilities in each unit, and ensure that these are appropriate throughout the entire Group by conducting effective execution in each unit and strategic collaboration and mutual supervision between units.

The Corporate Governance System



Appointment of External Officers

Mandom recognized from an early stage that appointing external officers contributes to the reinforcement of corporate governance. Accordingly, we began appointing an External Audit & Supervisory Board Member in 1986, in advance of legislation providing for such appointments, and we have been appointing an External Director since 1995. Mandom currently has two external directors and two External Audit & Supervisory Board Members.

Mandom's external officers are independent from the Company's management team and adequately fulfill their duties from the standpoint of protecting the interests of general shareholders

Establishment of the Compensation Committee and Nominating Committee

Mandom has established the Compensation Committee and the Nominating Committee, advisory panels to the Board of Directors that have external corporate officers comprising at least half their members.

The Compensation Committee helps to ensure fairness and transparency in the executive compensation system by making recommendations to the Board of Directors from an objective shareholder perspective concerning the establishment of the executive compensation system, the formulation of executive performance evaluation standards, and the decision process relating to amounts of executive compensation.

The Nominating Committee helps to ensure fairness and transparency in the executive selection process by making recommendations to the Board of Directors from an objective shareholder perspective concerning director and Audit & Supervisory Board Member candidate decisions and the selection of representative directors and executive officers with titles.

Development and Operation of Internal Controls Related to Financial Reporting

Mandom considers ensuring the reliability and appropriateness of financial reports to be an important management duty, and has established a basic policy of developing fair internal control systems on a companywide basis under the leadership of the president. To implement this policy, we have established the Internal Audit Div. that reports directly to the president and put in place a structure to develop appropriate internal control systems, verify the systems' operation, report appropriately to the Board of Directors and Audit & Supervisory Board and enable continuous monitoring of the systems by the Board of Directors and Audit & Supervisory Board.

Risk Management

Mandom is managing risks throughout the Company through the establishment of a total risk management system. This system is designed to avoid and minimize risks that impede the enhancement of corporate value and the achievement of sustainable, sound growth in tandem with stakeholders.

To that end, based on the Total Risk Management Promotion Regulations, we have established the Total Risk Management Committee, which is chaired by the President Executive Officer. It performs supervision and management of the development and operation of our risk management systems.

This committee regards the management of risks that have a severe impact on business continuity and risks that hinder the reliability and appropriateness of financial reporting as important issues. It is therefore putting priority on performing risk management related to this important issue by promoting the creation of manuals for the implementation of risk management.

Compliance

The Mandom Group's compliance is rooted in Our Philosophy (Contribute to a comfortable life for consumers) and our Management Philosophy (Be honest with the public).

Above all, our view on compliance is not simply that we should obey laws; rather, we believe that to fulfill our philosophy of contributing to a comfortable life for

consumers, we must go beyond simply abiding by laws and instead take the initiative to create in-house rules that are stricter than society's laws so that we can ensure that consumers derive safety and benefits.

We established the Mandom Group Code of Conduct (in 1999; revised in 2002, 2007, and 2011) as a common global compliance program. This document is aimed at making compliance a key part of our management by having all officers and employees abide by laws as well as conducting themselves ethically using common sense.

The Code of Conduct Promotion Committee was established to be in charge of promoting the Code of Conduct throughout the Mandom Group. This committee leads compliance education and awareness activities that include the building of a compliance-oriented corporate climate.

In December 2002, we introduced the Helpline System (which was expanded to cover business partners in 2007) to give employees, or "whistleblowers," a chance to inform us when they notice any laws being broken at work. This allows us to quickly discover non-compliance and subsequently prevent problems before they occur. Under this system, the anonymity of whistleblowers is protected and retaliatory measures against them are strictly forbidden.

Directors

Back row, from left: Kazuyoshi Okada, Ryuichi Terabayashi, Tsutomu Tsukada, Satoshi Nakajima
 Front row, from left: Motonobu Nishimura, Masayoshi Momota

Motonobu Nishimura

Representative Director
 President Executive Officer

Masayoshi Momota

Representative Director
 Vice President Executive Officer

Ryuichi Terabayashi

Director
 Senior Managing Executive Officer

Kazuyoshi Okada

Director
 Managing Executive Officer

Tsutomu Tsukada

External Director

Satoshi Nakajima

External Director

Audit & Supervisory Board Member

From left: Takaji Matsuo, Yoshiaki Saito, Masatoshi Tsuda, Yukihiro Tsujimura

Yoshiaki Saito

Audit & Supervisory Board Member

Takaji Matsuo

Audit & Supervisory Board Member

Masatoshi Tsuda

External Audit & Supervisory Board Member

Yukihiro Tsujimura

External Audit & Supervisory Board Member

Executive Officers

(Excluding Company Directors Holding Two Posts Concurrently)

Tatsuyoshi Kitamura

Managing Executive Officer

Tatsuya Arichi

Managing Executive Officer

Kazunori Koshikawa

Executive Officer

Hironao Suzuki

Managing Executive Officer

Akira Tanaka

Executive Officer

Norikazu Furubayashi

Executive Officer

Shinichiro Koshiba

Managing Executive Officer

Yasuaki Kameda

Executive Officer

Hiroshi Kanayama

Executive Officer

Financial Data — Consolidated Financial Indicators

MANDOM CORPORATION and its Consolidated Subsidiaries
Years ended March 31

	2004	2005	2006	2007	2008
Operating Results (Millions of yen)					
Net Sales	45,364	47,546	47,923	51,250	56,289
Overseas Ratio	21.3%	25.0%	27.0%	29.7%	32.6%
Operating Income	6,680	6,700	6,065	5,195	6,837
Overseas Ratio	21.3%	26.3%	27.4%	36.7%	38.0%
Ordinary Income	6,304	6,281	6,120	5,109	6,704
Net Income	3,253	3,211	3,099	2,488	3,499
Capital Investment	1,042	1,791	2,862	2,541	2,096
Depreciation	1,694	1,632	1,653	1,856	2,236
Research and Development	1,574	1,888	1,688	1,866	2,024
Financial Position (Millions of yen)					
Total Assets	45,474	47,397	51,320	51,620	54,218
Liabilities	7,087	7,329	8,190	7,438	8,349
Net Assets	36,687	38,168	40,568	44,182	45,868
Cash Flows (Millions of yen)					
Cash Flows from Operating Activities	4,396	6,061	4,911	3,411	7,614
Cash Flows from Investing Activities	(1,810)	(6,919)	(2,444)	(1,120)	(5,040)
Cash Flows from Financing Activities	(1,456)	(1,345)	(1,196)	(2,554)	(1,659)
Per Share Data (Yen)					
Book Value per Share (BPS)	1,516.70	1,577.94	1,677.82	1,727.55	1,779.67
Earnings per Share (EPS)	130.83	128.73	124.36	104.28	147.13
Cash Dividends per Share	50.00	55.00	60.00	60.00	80.00
Financial Index					
Operating Income Margin	14.7%	14.1%	12.7%	10.1%	12.1%
Shareholders' Equity Ratio	80.7%	80.5%	79.1%	79.6%	78.1%
Return on Equity (ROE)	9.1%	8.6%	7.9%	6.1%	8.4%
Return on Assets (ROA)	14.1%	13.5%	12.4%	9.9%	12.7%
Payout Ratio	36.3%	42.7%	48.2%	57.5%	54.4%

2009	2010	2011	2012	2013	
					Operating Results (Millions of yen)
55,178	54,304	57,262	59,801	60,427	Net Sales
34.5%	31.7%	34.5%	34.9%	36.8%	Overseas Ratio
4,926	5,368	5,747	6,050	5,947	Operating Income
41.8%	34.0%	36.6%	37.1%	34.1%	Overseas Ratio
5,175	5,715	6,006	6,308	6,241	Ordinary Income
3,011	2,802	2,672	3,299	3,607	Net Income
2,039	3,221	1,696	2,157	1,467	Capital Investment
2,353	2,125	2,394	2,242	2,165	Depreciation
2,037	1,846	1,850	1,921	1,792	Research and Development
					Financial Position (Millions of yen)
49,078	54,182	53,328	55,600	60,163	Total Assets
6,698	9,123	8,036	8,517	9,126	Liabilities
42,379	45,058	45,291	47,082	51,037	Net Assets
					Cash Flows (Millions of yen)
3,458	7,766	4,063	3,692	7,605	Cash Flows from Operating Activities
1,204)	(5,111)	(1,408)	(2,694)	(5,387)	Cash Flows from Investing Activities
(2,045)	(2,291)	(1,661)	(1,668)	(1,646)	Cash Flows from Financing Activities
					Per Share Data (Yen)
1,661.94	1,774.64	1,785.56	1,861.01	2,011.09	Book Value per Share (BPS)
126.60	119.40	114.30	141.11	154.29	Earnings per Share (EPS)
60.00	60.00	60.00	60.00	62.00	Cash Dividends per Share
					Financial Index
8.9%	9.9%	10.0%	10.1%	9.8%	Operating Income Margin
80.5%	76.6%	78.3%	78.3%	78.2%	Shareholders' Equity Ratio
7.4%	6.9%	6.4%	7.7%	8.0%	Return on Equity (ROE)
10.0%	11.1%	11.2%	11.6%	10.8%	Return on Assets (ROA)
47.4%	50.3%	52.5%	42.5%	40.2%	Payout Ratio

Analysis of Operating Results

Japan's economy showed signs of recovery during the fiscal year under review, spurred by reconstruction work in northeastern Japan in the aftermath of the March 11 earthquake and tsunami as well as policies introduced by the new government beginning last December. Despite these factors, economic stagnation in Europe has slowed the global economy, clouding the view of the future direction of world business. Asia is where the Mandom Group conducts most of its overseas business. Here, the European financial crisis has been a drag on the economy, but overall the region remains strong.

Given these economic conditions, the Mandom Group is pursuing initiatives that we believe will lead to sustained growth:

- 1) Stable growth in our core men's grooming business
- 2) Expansion of our women's cosmetics business
- 3) Continued expansion of overseas sales, emphasizing Asia as an engine of growth

As a result, consolidated net sales increased 1.0% year on year to 60,427 million yen. Consolidated net income rose 9.3% to 3,607 million yen.

(1) Net Sales and Cost of Sales

Consolidated net sales for the fiscal year ended March 31, 2013, totaled 60,427 million yen, up 625 million yen, or 1.0%, year on year, marking our third consecutive year of record sales. Sales of summer season products in the core Gatsby brand were slow in Japan through the second quarter of the fiscal year under review. Sales of men's grooming products (mainly Gatsby) overseas, however, were robust, with gains more than making up for the domestic shortfall.

The cost of sales was 27,568 million yen, an increase of 158 million yen, or 0.6%, year on year. Despite growth in cost of sales accompanying higher overseas sales, this slight rise

was largely due lower sales in Japan. Consequently, gross margin totaled 32,858 million yen, up 466 million yen, or 1.4%, year on year.

(2) Selling, General and Administrative (SG&A) Expenses and Operating Income

SG&A expenses totaled 26,910 million yen, up 569 million yen, or 2.2%, year on year. Despite our best efforts to invest effectively in marketing (sales promotion and advertising expenses) for the Japanese market, this result was mainly due to increased expenses accompanying aggressive investment in marketing (sales promotion) in Indonesia and other overseas regions. As a result, operating income amounted to 5,947 million yen, a decrease of 102 million yen, or 1.7%, from the previous fiscal year.

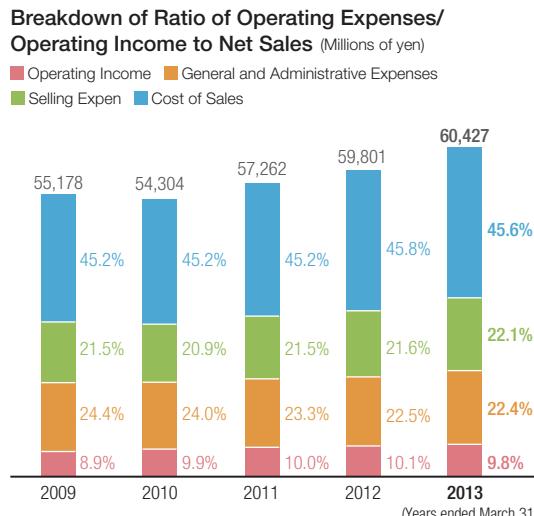
(3) Non-Operating Profit, Extraordinary Profit, Ordinary Income and Income before Income Taxes and Minority Interests

Non-operating profit increased 36 million yen year on year. This was due to the increase in non-operating profit coupled with the decrease in non-operating expenses. Extraordinary profit grew 220 million yen year on year largely because of a significant fall in extraordinary loss.

As a result, ordinary income decreased 66 million yen, or 1.1%, year on year to 6,241 million yen, but income before income taxes and minority interests increased 153 million yen, or 2.5% year on year, to 6,272 million yen.

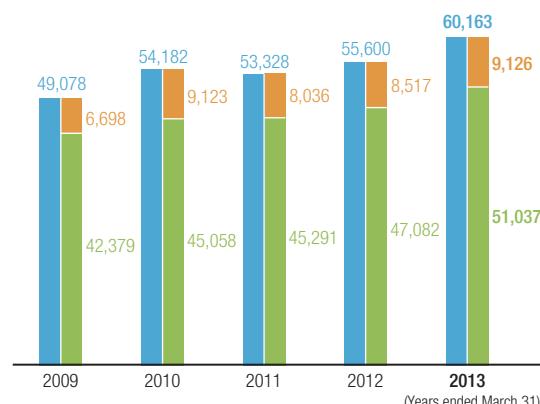
(4) Corporate and Other Taxes, Minority Interests and Net Income

Corporate and other taxes decreased by 179 million yen, or 7.6%, to 2,175 million yen mainly due to lower corporate tax in Japan. Taking into account the increase in net income of the Mandom Group's Indonesian subsidiary, minority interest climbed 24 million yen year on year to 490 million yen.



Total Assets, Liabilities and Net Assets (Millions of yen)

■ Total Assets ■ Net Assets ■ Liabilities



On this basis, net income for the fiscal year under review grew 308 million yen, or 9.3%, year on year to 3,607 million yen, a new record high.

Analysis of Financial Position

1. Current Status of Assets, Liabilities and Total Equity

(1) Assets

Total assets during the fiscal year ended March 31, 2013 increased 4,563 million yen compared with the end of the previous fiscal year, reaching 60,163 million yen. This increase was primarily due to a rise in marketable securities.

(2) Liabilities

Liabilities increased 608 million yen from the previous fiscal year end, amounting to 9,126 million yen. This was mainly due to an upswing in incurred corporate and other taxes.

(3) Net Assets

Net assets increased 3,954 million yen from the end of the previous fiscal year, totaling 51,037 million yen. This was mainly due to an increase in retained earnings. Consequently, shareholders' equity ratio was 78.2%.

2. Status of Cash Flows

Cash and cash equivalents (cash) as of the end of the consolidated fiscal year amounted to 10,482 million yen. This represents a 689 million yen increase compared with the end of the previous fiscal year.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities increased 3,912 million yen compared with the previous fiscal year to 7,605 million yen. This was mainly due to lower inventories, which more than offset a slight decrease in operating income.

(2) Cash Flows from Investing Activities

Cash used in investing activities increased 2,692 million yen compared with the previous fiscal year to 5,387 million yen. This was mainly due to purchases of marketable securities.

(3) Cash Flows from Financing Activities

Cash flow used in financing activities decreased by 21 million yen compared with the previous fiscal year to 1,646 million yen. This was mainly due to a decline in the payment of shareholder dividends, including minority shareholders.

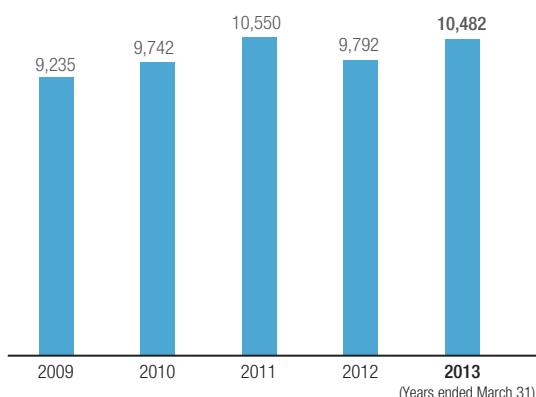
Risks to Business, etc.

With regard to management results and financial constitution, the following are items which could have a significant impact on the judgment of investors. Forward-looking statements are based on the judgment of the Mandom Group as of the end of the fiscal year under review.

1. Aligning with Customer Needs

Competition within the cosmetics market in Asia, including Japan, is becoming increasingly intense. This is attributable to the activities of peer companies as well as the influx of new entrants. In addition, the market is experiencing ongoing changes in consumer needs and wants, distribution channels significantly diversifying the points of consumer contact. Under these circumstances, Mandom is working to maintain and enhance its brand value, develop, introduce, foster and strengthen new products, withdraw from or renew existing products while reforming marketing activities, including sales methods. Despite these endeavors, the Company may encounter delays in implementing appropriate response due to a variety of uncertainties. Looking particularly at market conditions in Japan, this may include retailers reducing their stock holdings of standard products by rearranging

Balance of Cash and Cash Equivalents at End of Period (Millions of yen)



Cash Flows (Millions of yen)



inventories and the return of excess inventory from agents. Taking into consideration the aforementioned, the value of merchandise thus returned may exert an impact of the Group's consolidated performance.

2. Extent of Mandom's Reliance on Specific Partners

During the fiscal years ended March 31, 2012 and 2013, there were two wholesalers on which the Mandom Group relied for more than 10% of its consolidated net sales: Paltac Corporation in Japan (30.2% in fiscal 2012, 30.2% in fiscal 2013) and PT Asia Paramita Indah in Indonesia (18.5% in fiscal 2012, 19.0% in fiscal 2013). Mandom and PT Mandom Indonesia Tbk have long-term, stable and continuous business relationships with the above two companies. In the future distribution of cosmetics and other products, there will be a stronger market tendency to allow the dominance of a few large-scale wholesalers. This may lead to a further increase in dependence on specific distributors who are likely to provide earnings accounting for relatively large portions of the Group's sales.

3. Legal Regulations

The Mandom Group manufactures (imports in some cases) and sells quasi-drugs and cosmetics in accordance with various acts including the Pharmaceutical Affairs Law as well as standards relating to quality and the environment. In the event, however, of a major breach of statutory or regulatory requirements, potential exists for difficulties to arise with respect to production and by association impediments to the ongoing viability of the subject business. Moreover, restrictions may be placed on the Company's business due to revisions to existing legislation or the enactment of new laws. In the event that Mandom incurs increased costs in its efforts to comply with statutory and regulatory requirements, its operating performance may be affected.

4. Foreign Exchange Rate Fluctuations

The Mandom Group is focused on business in Asia, where solid market growth is expected in the future. Overseas net sales accounted for 35.8% and 37.8% of consolidated net sales in the fiscal years ended March 31, 2012 and March 31, 2013, respectively, and the weight of overseas business is anticipated to increase in the future. Accordingly, fluctuations in foreign exchange rates have the potential to impact the Group's performance, and prevent the operating results of overseas Group companies from being accurately represented in the Group's business performance when translated into yen.

5. Overseas Business Development

The Mandom Group continues to focus on expanding its business in the Asia region, which is positioned as a growth engine under its business strategy. In the event of a natural disaster or significant breach of applicable laws, trading

policies or customs and taxation regulations in the area, or a drop in consumer demand, the Group's business activities may be restricted, impacting its overall business performance.

6. Factors Causing Fluctuation in Profitability

The business environment surrounding the Group is marked by intense competition and continuing mild deflation in Japan. There are inherent factors that drive down profit margins, such as falling sales prices and upward pressure on cost of sales due to competition in a mature market. Moreover, since the life cycle of Mandom's key product lines is short, the success or failure of new products is a major factor underlying fluctuating results. Mandom always carries out brand renewal before the end of the product life cycle, and develops and markets new products based on consumers' underlying preferences. The impact on operating results of merchandise returned as a result of this approach is another significant cause of fluctuations in profitability. In addition, since the inventory on which the Group's continued operations depend is produced mainly based on estimates of future demand and market trend projections, this method may, depending on actual demand or unanticipated changes in market trends, require disposal of stagnant inventory, adversely affecting the Group's performance in the form of a loss due to inventory disposal, recorded under cost of sales. It is the Mandom Group's policy to follow internal rules and dispose of such inventory immediately after confirming impairment of market value, rather than postponing such disposal.

7. Foreign Exchange and Resource Price Fluctuations

In overseas operations, the costs of procuring imported raw materials at production sites in Indonesia and China may have an effect on Group competitiveness due to the rise in prices of materials refined from oil caused by foreign exchange fluctuations or rising crude oil prices. The Group's overseas operations are conducted entirely in Asia, and some regions are subject to event risk in the form of possible legal or economic changes accompanying a sudden political event. Such developments could have an impact on the Group's management and financial performance.

Issues to Be Addressed

The Mandom Group recognizes the following as issues that need to be addressed.

1. Responses to Changes in the Men's Cosmetics Market in Japan

Men's cosmetics constitute a core part of Mandom's business operations: for the business year just ended, this sector comprised well over 60% share in turnover.

Competition in the business environment in the sector, however, has increased in intensity. We are well aware that the market environment is set to change permanently, with companies from different business sectors and from overseas eagerly entering into the market. Against this backdrop, management pledges to engage in the exploration and pursuit of customer needs and wants, product development backed by technological excellence and the delivery of marketing innovation to respond to diversification in customer interface. In addition to bolstering the young men's market, we aim to expand the market for the middle age bracket.

2. Addressing Cost Rises Due to Crude Oil Price Increases

Analysis of recent moves by oil producers leads us to expect that crude oil prices will remain high. The impact on costs is inevitable. To restrain this rise in costs, we will adopt such measures as production optimization through the use of overseas plants including production transfers of some products, the promotion of local procurement of materials and the widening of our network of overseas suppliers.

3. Strengthening Human Resources Development, the Driver of Global Business

A notable fact in the Group's pursuit of business globalization centering on Asia is that the ratio of overseas business turnover in consolidated sales has already topped 30%. As well as in order to strengthen our business in countries where we already operate, if we are to start marketing in new areas, the development of globally viable and valuable human resources is a key task. We will engage in the development of human resources who are well equipped with not only communication skills but with understanding and accommodation for different cultures, customs and religions.

4. Corporate Social Responsibility Activities, Prioritizing Quality Assurance and Environmental Measures

With ever stronger demand to fulfill corporate social responsibility (CSR), the Group has designated CSR activities as a management issue. Thus, we will continue to reinforce our efforts to achieve quality assurance and to address environmental issues. We will create a CSR framework that would enable the Group as a whole to play our proper part in CSR activities as a good corporate citizen.

Management's Awareness of Challenges and Policy Going Forward

Mandom's management strives to formulate optimal management policies in light of the current business environment and any available data and information. Their key concern is to sustain business development. Recognizing

that the engine for business expansion lies in overseas business, management will strive to achieve further business growth by developing the Southeast Asian market— which is likely to show increasing demand for Mandom products— as well as new markets in other Asian regions. Going forward, the Group will position its women's cosmetics business as a new growth area to make progress in forging a path for further expansion. The Group's management is always aware of the importance of promoting capital efficiency, and regards the return of profits to shareholders in the form of dividends as an important capital policy. The Group will repurchase its own shares as required in order to return more profits to shareholders, and curb increases in equity (retained earnings), thereby improving capital efficiency.

1. Current Status of Management Strategies and Outlook

The "sustained growth of Group operations" is the core management strategy of the Group's medium- to long-term business strategy. To achieve phased expansion of the Group's business, we will deploy a well-planned input of business resources to achieve sustainable growth in income and profits. Thus, in the current Middle Range Plan: 1. sustained growth of the core business, men's grooming; 2. speeding up of the women's cosmetics business by embarking on global marketing in Asia; and 3. continued expansion of our overseas business, which is to continue to serve as the growth engine in this new Middle Range Plan. Furthermore, when implementing our strategic objectives, we will be expeditious in exploiting external capital through M&A/ business alliances.

(1) Sustained growth of the core business, men's grooming

The core brand Gatsby will be further strengthened as our global brand in Asia. In Japan, we will aim to expand market share in hair styling as well as the face & body categories. Better line-ups of products and marketing reinforcement will be used to drive forward greater growth of Gatsby. Overseas, hair styling will be our priority category. We will expand market share by enhancing comparative advantage in the market through our hair wax line-up. At the same time, we will reinforce expansion efforts for the face & body category in line with improved consumer recognition of the Gatsby brand, with the aim of expanding its scale. As for the Lúcido brand, we will make staged proposals of products that focus on the concept of aging care.

(2) Speeding up of the women's cosmetics and women's cosmetics businesses by embarking on global marketing in Asia

In Japan, marketing reinforcement will be applied to the Women's skincare category so as to accelerate growth. Meanwhile, in overseas markets, we will step up efforts in the

cosmetics business by implementing product launch and merchandising tailored to the local market. To this end we will strengthen the marketing of base make-up products in Indonesia and the “in-depth approach” introduced in the skincare product sector in China during the previous financial year.

(3) Ongoing expansion of our overseas business

In our effort to achieve the expansion of our overseas business, Indonesia and China will be our primary targets. These are the most important areas for our initiatives among countries where we have a presence. We will develop the market more deeply through a heavy input of resources including marketing investment in men's styling, alongside stronger nurturing of women's skincare products. We have identified Southeast Asia and India as areas of high importance for our initiatives, and in the former, have established and expanded our distribution network through which we will steadily implement new market expansion. In the Indian market where growth is promising, we will leverage the market through our overseas subsidiary company. We established this company in March 2012 to create the foundation of our cosmetics business and then to expand its scale.

2. Financial Policies

The Mandom Group's financial policies entail maintaining a sound balance sheet and the liquid assets necessary to pursue its business. Capital is used primarily to fund operations and for capital investment, and is derived from internal reserves. If any domestic subsidiary lacks necessary funds, the shortfall is covered by a loan from the parent company, while demand for short-term funds by overseas subsidiaries is met by a local-currency-based short-term loan acquired by Mandom's main representative office in the region. The Company regards any additional funds in hand as cash reserves for business investment, and places the utmost priority on ensuring their liquidity and security. We in the Mandom Group believe that the Company can procure the funds necessary to ensure dramatic growth based on its sound finances and capacity to generate cash flows through operating activities, even if the need should arise for investment funds exceeding the liquid funds currently available.

3. Earnings Distribution Policy

Returning profit to shareholders through dividend payments is a core management policy within the constraints of earmarking adequate internal reserves for operational development and new business development for the medium to long term and for addressing corporate risks. Thus, under this strong commitment to dividend policy, the Group will endeavor to deliver shareholder return through dividend payout. The numerical target set for the fiscal year ended

March 31, 2013 and the fiscal year ending March 31, 2014 is a dividend payout ratio of not less than 40% of net income on a consolidated basis.

Internal reserves will be allocated to strategic investments covering investment into facilities for expanding existing business operations and to strategic investment for R&D investment and other corporate value enhancement. The reserves also serve as a safety net to help us deal with diverse corporate risks arising out of the difficult business conditions we are subject to. As a means of delivering a return to shareholder and of improving capital efficiency, the purchase of treasury stock will be considered as an option.

Consolidated Balance Sheets

MANDOM CORPORATION and its Consolidated Subsidiaries
As of March 31, 2013

	Millions of Yen	
	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 13)	¥10,482	¥ 9,793
Short-term investments (Notes 3 and 13)	13,962	9,804
Receivables (Note 13):		
Trade notes and accounts	7,654	7,092
Unconsolidated subsidiary and associated company	92	97
Other	80	71
Allowance for doubtful accounts	(19)	(17)
Inventories (Note 4)	7,641	8,273
Deferred tax assets (Note 9)	822	704
Prepaid expenses and other current assets	595	727
Total current assets	41,309	36,544
PROPERTY, PLANT AND EQUIPMENT:		
Land	511	511
Buildings and structures	17,302	16,945
Machinery and equipment	13,165	12,147
Furniture and fixtures	4,259	3,942
Lease assets (Note 12)	45	45
Construction in progress	163	325
Total	35,445	33,915
Accumulated depreciation	(23,902)	(22,002)
Net property, plant and equipment	11,543	11,913
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Notes 3 and 13)	5,034	4,243
Investments in unconsolidated subsidiary and associated company	210	183
Goodwill	—	38
Deferred tax assets (Note 9)	245	704
Other assets (Note 5)	1,823	1,976
Total investments and other assets	7,312	7,144
TOTAL	¥60,164	¥55,601

See notes to consolidated financial statements.

Consolidated Balance Sheets

MANDOM CORPORATION and its Consolidated Subsidiaries
As of March 31, 2013

	Millions of Yen	
	2013	2012
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Payables (Note 13):		
Trade notes and accounts	¥ 3,852	¥ 3,976
Unconsolidated subsidiary and associated company	8	7
Other	239	81
Accrued income taxes (Notes 9 and 13)	995	703
Accrued expenses	1,531	1,242
Other current liabilities	570	430
Total current liabilities	7,195	6,439
LONG-TERM LIABILITIES:		
Liability for retirement benefits (Note 6)	1,073	1,046
Deferred tax liabilities (Note 9)	4	4
Other long-term liabilities (Note 7)	855	1,029
Total long-term liabilities	1,932	2,079
COMMITMENTS (Note 12)		
EQUITY (Notes 8 and 16):		
Common stock		
authorized, 81,969,700 shares		
issued, 24,134,606 shares in 2013 and 2012	11,395	11,395
Capital surplus	11,235	11,235
Retained earnings	30,834	28,629
Treasury stock - at cost 754,463 shares and 753,967 shares in 2013 and 2012, respectively	(1,850)	(1,849)
Accumulated other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	335	(336)
Foreign currency translation adjustments	(4,929)	(5,562)
Total	47,020	43,512
Minority interests	4,017	3,571
Total equity	51,037	47,083
TOTAL	¥60,164	¥55,601

See notes to consolidated financial statements.

Consolidated Statement of Income

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2013

	Millions of Yen	
	2013	2012
NET SALES (Note 15)	¥60,427	¥59,802
COST OF SALES (Note 15)	27,568	27,410
Gross profit	32,859	32,392
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 10, 11 and 15)	26,911	26,342
Operating income	5,948	6,050
OTHER INCOME (EXPENSES):		
Interest and dividend income (Note 15)	237	218
Foreign exchange loss	(26)	(56)
Loss on disposal of property, plant and equipment	(18)	(72)
Loss on sales of investment securities	(3)	(88)
Other - net (Note 15)	135	67
Other income - net	325	69
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	6,273	6,119
INCOME TAXES (Note 9):		
Current	2,208	2,155
Deferred	(33)	200
Total income taxes	2,175	2,355
NET INCOME BEFORE MINORITY INTERESTS	4,098	3,764
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	491	465
NET INCOME	¥ 3,607	¥ 3,299
	Yen	
	2013	2012
PER SHARE OF COMMON STOCK (Note 2.m):		
Basic net income	¥154.29	¥141.11
Cash dividends applicable to the year	60.00	60.00

Diluted net income per share is not presented because no dilutive securities exist.
See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2013

	Millions of Yen	
	2013	2012
NET INCOME BEFORE MINORITY INTERESTS	¥4,098	¥3,764
OTHER COMPREHENSIVE INCOME (LOSS) (Note 14):		
Unrealized gain on available-for-sale securities	673	223
Foreign currency translation adjustments	794	(532)
Share of other comprehensive income (loss) in associate	28	(7)
Total other comprehensive income (loss)	1,495	(316)
COMPREHENSIVE INCOME (Note 14)	¥5,593	¥3,448
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 14):		
Owners of the parent	¥4,912	¥3,167
Minority interests	681	281

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2013

	Thousands Outstanding Number of Shares of Common Stock	Millions of Yen			
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, APRIL 1, 2011	23,381	¥11,395	¥11,235	¥26,733	¥(1,848)
Net income				3,299	
Cash dividends, ¥60 per share				(1,403)	
Purchase of treasury stock	(0)				(1)
Disposal of treasury stock	0		(0)	(0)	0
Net change in the year					
BALANCE, MARCH 31, 2012	23,381	11,395	11,235	28,629	(1,849)
Net income				3,607	
Cash dividends, ¥60 per share				(1,402)	
Purchase of treasury stock	(1)				(1)
Disposal of treasury stock	0			(0)	0
Net change in the year					
BALANCE, MARCH 31, 2013	23,380	¥11,395	¥11,235	¥30,834	¥(1,850)

	Millions of Yen				
	Accumulated Other Comprehensive Income (Loss)		Total	Minority Interests	Total Equity
	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments			
BALANCE, APRIL 1, 2011	¥(560)	¥(5,207)	¥41,748	¥3,544	¥45,292
Net income			3,299		3,299
Cash dividends, ¥60 per share			(1,403)		(1,403)
Purchase of treasury stock			(1)		(1)
Disposal of treasury stock			0		0
Net change in the year	224	(355)	(131)	27	(104)
BALANCE, MARCH 31, 2012	(336)	(5,562)	43,512	3,571	47,083
Net income			3,607		3,607
Cash dividends, ¥60 per share			(1,402)		(1,402)
Purchase of treasury stock			(1)		(1)
Disposal of treasury stock			0		0
Net change in the year	671	633	1,304	446	1,750
BALANCE, MARCH 31, 2013	¥ 335	¥(4,929)	¥47,020	¥4,017	¥51,037

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2013

	Millions of Yen	
	2013	2012
OPERATING ACTIVITIES:		
Income before income taxes and minority interests	¥ 6,273	¥ 6,119
Adjustments for:		
Income taxes paid	(1,930)	(2,216)
Depreciation and amortization	2,203	2,324
Liability for retirement benefits	1	19
Loss on sales of investment securities	2	88
Loss on disposal of property, plant and equipment	15	60
Changes in assets and liabilities:		
Increase in receivables	(227)	(1,131)
Decrease (increase) in inventories	906	(1,904)
Increase in payables	88	375
Other - net	274	(41)
Total adjustments	1,332	(2,426)
Net cash provided by operating activities	7,605	3,693
INVESTING ACTIVITIES:		
Increase in time deposits other than cash equivalents	(2,083)	(1,538)
Decrease in time deposits other than cash equivalents	1,485	1,414
Acquisition of property, plant and equipment	(1,810)	(1,711)
Proceeds from sales and redemptions of investment securities	586	331
Payments for purchases of investment securities	(8)	(376)
Proceeds from sales and redemptions of short-term investment securities	33,600	32,500
Payments for purchases of short-term investment securities	(37,191)	(33,291)
Other - net	34	(24)
Net cash used in investing activities	(5,387)	(2,695)
FINANCING ACTIVITIES:		
Dividends paid	(1,637)	(1,659)
Other - net	(10)	(9)
Net cash used in financing activities	(1,647)	(1,668)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	689	(758)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,793	10,551
CASH AND CASH EQUIVALENTS, END OF YEAR	¥10,482	¥ 9,793

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which MANDOM CORPORATION (the "Company") is incorporated and operates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation - The consolidated financial statements as of March 31, 2013, include the accounts of the Company and its eleven (eleven in 2012) significant subsidiaries (collectively, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are consolidated and those companies over which the Group has the ability to exercise significant influence are accounted for under the equity method.

Investment in one (one in 2012) associated company is accounted for under the equity method.

Investment in the remaining one unconsolidated subsidiary (two in 2012) is stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated in consolidation.

b. Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and bond funds, all of which mature or become due within three months of the date of acquisition.

c. Short-term Investments and Investment Securities - Securities included in short-term investments and investment securities are classified and accounted for, depending on management's intent, as follows: 1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, with

the related unrealized gains and losses included in earnings; 2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and 3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The Group's securities (included in "short-term investments" and "investment securities") are all classified as available for sale.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

d. Inventories - Inventories are stated at the lower of cost, determined by the average method, or net selling value.

e. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiary is computed substantially by the declining-balance method, while the straight-line method is applied to buildings of the Company acquired after April 1, 1998, and lease assets of the Company and its consolidated domestic subsidiary. The straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 15 to 50 years for buildings and structures and from 4 to 12 years for machinery and equipment. The useful lives for lease assets are the terms of the respective leases.

f. Long-Lived Assets - The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. Retirement Benefits and Pension Plans - The Company and certain consolidated subsidiaries have funded defined benefit pension plans, defined contribution pension plans, and advance payment systems which cover substantially all of their employees. The Group accounts for the liability for the pension plans based on the projected benefit obligations and plan assets at the balance sheet date.

h. Research and Development Costs - Research and development costs are charged to income as incurred.

i. Leases - In March 2007, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease

transactions was effective for fiscal years beginning April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

j. Income Taxes - The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k. Foreign Currency Transactions - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

l. Foreign Currency Financial Statements - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income (loss) in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

m. Per Share Information - Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because no dilutive securities exist.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

n. New Accounting Pronouncements

Accounting Standard for Retirement Benefits - On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard for (a) and (b) above from the end of the annual period beginning on April 1, 2013, and for (c) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen	
	2013	2012
Short-term investments:		
Time deposits other than cash equivalents	¥ 1,762	¥ 903
Short-term treasury securities	9,199	6,098
Government, corporate, and other bonds		299
Commercial paper other than cash equivalents	1,497	999
Certificates of deposits	1,500	1,500
Trust fund investment	4	5
Total	¥13,962	¥9,804
Investment securities:		
Marketable equity securities	¥ 5,021	¥4,230
Nonmarketable equity securities	13	13
Total	¥ 5,034	¥4,243

Information regarding the securities classified as available-for-sale as of March 31, 2013 and 2012, was as follows:

	Millions of Yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
March 31, 2013				
Equity securities	¥ 4,493	¥643	¥(115)	¥ 5,021
Debt securities	10,698	0	(2)	10,696
Other	1,505		(1)	1,504
March 31, 2012				
Equity securities	¥4,767	¥181	¥(718)	¥4,230
Debt securities	7,397	0	(1)	7,396
Other	1,505		(0)	1,505

Available-for-sale securities whose fair value could not be reliably determined as of March 31, 2013 and 2012, were as follows:

	Millions of Yen	
	2013	2012
Equity securities	¥13	¥13

Proceeds from sales of available-for-sale securities for the years ended March 31, 2013 and 2012, were ¥280 million and ¥231 million, respectively. Gross realized gain and loss on these sales, computed on the moving-average cost basis, were ¥1 million and ¥3 million for the year ended March 31, 2013.

4. INVENTORIES

Inventories as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen	
	2013	2012
Merchandise	¥1,959	¥1,772
Finished products	3,010	3,727
Work in process	407	386
Raw materials and supplies	2,265	2,388
Total	¥7,641	¥8,273

5. OTHER ASSETS

Other assets as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen	
	2013	2012
Long-term prepaid expenses	¥ 688	¥ 660
Guarantee deposits	492	497
Long-term loans	168	199
Software	296	284
Other	179	336
Total	¥1,823	¥1,976

Long-term loans are primarily housing loans to employees bearing interest at annual rates which ranged from 0% to 3% at March 31, 2013 and 2012.

6. RETIREMENT BENEFITS AND PENSION PLANS

The Company and certain consolidated subsidiaries have funded defined benefit pension plans, defined contribution pension plans, and advance payment systems for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment and annuity payments from a trustee.

The liability for retirement benefits as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen	
	2013	2012
Projected benefit obligation	¥3,694	¥3,321
Fair value of plan assets	(2,377)	(2,001)
Unrecognized actuarial loss	(406)	(456)
Unrecognized past service cost	162	181
Net liability	¥1,073	¥1,045
Attributed to:		
Prepaid pension expense	¥ (0)	¥ (1)
Liability for retirement benefits	1,073	1,046

The components of net periodic retirement benefit costs for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen	
	2013	2012
Service cost	¥229	¥218
Interest cost	96	104
Expected return on plan assets	(46)	(42)
Amortization of past service cost	(19)	27
Recognized actuarial loss	74	102
Subtotal	334	409
Contribution for the multiemployer pension plan	271	271
Contribution for the defined contribution pension plan	85	85
Net periodic retirement benefit costs	¥690	¥765

Assumptions used for the years ended March 31, 2013 and 2012, are set forth as follows:

	2013	2012
Discount rate	1.2%	1.5%
Expected rate of return on plan assets	2.0%	2.0%
Amortization period of past service cost	7 years	7 years
Recognition period of actuarial gain/loss	7 years	7 years

The Company and certain consolidated subsidiaries participate in a contributory multiemployer pension plan (the "Plan") covering substantially all of their employees. The pension fund assets available for benefits under this plan at March 31, 2013 and 2012, were approximately ¥4,078 million and ¥3,844 million, respectively.

Contributions to the Plan are expensed as retirement benefit costs. Based on the Group's salary expense in comparison to the total salary expense of all employees who participate in the Plan, the Group's share of the Plan is 12.4% at March 31, 2013. However, the share is not equal to the actual contribution percentage of the Group.

The financial statement of the Plan as of March 31, 2012, is as follows:

	Millions of Yen	
Fair value of plan assets	¥ 31,565	
Projected benefit obligation	(43,870)	
Net	¥(12,305)	

<Note>

The main reason for the difference between the fair value of plan assets and the projected benefit obligation represented the past service obligation of ¥13,567 million. The past service obligation is evenly amortized over 17 years. The Company and certain consolidated subsidiaries recognized ¥124 million of special contribution expense for the year ended March 31, 2013.

7. OTHER LONG-TERM LIABILITIES

Other long-term liabilities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen	
	2013	2012
Deposits received	¥376	¥ 344
Liabilities for retirement benefits to directors and Audit & Supervisory Board members	351	572
Other	128	113
Total	¥855	¥1,029

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria, such as (1) having a board of directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if companies have prescribed so in its articles of incorporation. The Company meets all the above criteria. The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of companies so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. INCOME TAXES

The Company and its domestic subsidiary are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 37.96% and 40.63% for the years ended March 31, 2013 and 2012, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, are as follows:

	Millions of Yen	
	2013	2012
Deferred tax assets:		
Accrued bonuses	¥ 275	¥ 281
Enterprise tax	84	56
Inventories	163	142
Retirement benefit costs	345	343
Long-term liabilities	107	192
Allowance for sales return	89	80
Property, plant and equipment	34	34
Unrealized loss on available-for-sale securities		211
Other	429	305
Less valuation allowance	(102)	(107)
Total	1,424	1,537
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	185	4
Undistributed earnings of overseas subsidiaries and associated company	155	113
Other	21	16
Total	361	133
Net deferred tax assets	¥1,063	¥1,404

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2013, with the corresponding figures for the year ended March 31, 2012, is as follows:

	Millions of Yen	
	2013	2012
Normal effective statutory tax rate	37.96%	40.63%
Expenses not deductible for income tax purposes	1.63	2.56
Adjustment of undistributed earnings of overseas subsidiaries and associated company	0.67	0.04
Difference in subsidiaries' tax rates	(4.67)	(5.61)
Tax credit for research and development costs and others	(1.49)	(1.43)
Change in valuation allowance	(0.08)	(1.97)
Capital levy on inhabitant tax	0.36	0.36
Decrease adjustment of deferred tax assets for changing the tax rate		1.46
Other - net	0.30	2.44
Actual effective tax rate	34.68%	38.48%

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2013 and 2012, were ¥1,793 million and ¥1,922 million, respectively.

11. ADVERTISING COSTS

Advertising costs charged to income for the years ended March 31, 2013 and 2012, were ¥3,105 million and ¥3,169 million, respectively.

12. LEASES

The Group leases office space, office equipment, and certain other assets.

Total rental expenses for the years ended March 31, 2013 and 2012, were ¥1,349 million and ¥1,411 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen			
	2013	2012	Finance	Operating
	Finance	Leases	Leases	Leases
Due within one year	¥ 6	¥150	¥ 8	¥ 145
Due after one year	11	722	14	865
Total	¥17	¥872	¥22	¥1,010

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group uses financial instruments to invest cash surplus amounts in low-risk and highly liquid financial instruments. Derivatives are used, not for speculative purposes, but to achieve higher yields within specified limits on the amounts.

(2) Nature and extent of risks arising from financial instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Short-term investments and investment securities, mainly debt securities with maturities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are mainly less than three months.

Receivables and payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

(3) Risk management for financial instruments

Credit risk management

The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring on a regular basis of payment terms and balances of major customers by the sales planning division to identify the default risk of customers in the early stages.

With respect to financial investments with maturities, since the Group manages its exposure to credit risk by limiting its funding to high credit rating bonds in accordance with its internal guidelines, the credit risk associated with this investment is not considered to be significant.

Market risk management

With respect to foreign currency trade receivables and payables, the Group monitors on a regular basis foreign exchange risk recognized monthly in each currency.

Short-term investments and investment securities are managed by monitoring market values and the financial position of issuers on a regular basis, and the securities, except for government bonds, are managed by reviewing the condition continuously in view of the market trend and relationship of the business partners.

Derivatives have been utilized in accordance with internal policies which regulate the authorization and credit limit amount. The conditions and results of such transactions are regularly communicated to the Management Committee.

Liquidity risk management

The Group manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial planning prepared by the financial management division based on each department's report.

(4) Concentration of credit risk

As of March 31, 2013, 50.7% of total receivables are from specific major customers of the Group.

(5) Fair values of financial instruments

(a) Fair value of financial instruments

The carrying amount and fair value as of March 31, 2013 and 2012, were as follows:

	Millions of Yen	
	Carrying Amount	Fair Value
March 31, 2013		
Cash and cash equivalents	¥10,482	¥10,482
Short-term investments and investment securities	18,983	18,983
Receivables	7,807	7,807
Total	¥37,272	¥37,272
Payables	¥ 4,099	¥ 4,099
Accrued income taxes	995	995
Total	¥ 5,094	¥ 5,094

	Millions of Yen	
	Carrying Amount	Fair Value
March 31, 2012		
Cash and cash equivalents	¥ 9,793	¥ 9,793
Short-term investments and investment securities	14,034	14,034
Receivables	7,243	7,243
Total	¥31,070	¥31,070
Payables	¥ 4,064	¥ 4,064
Accrued income taxes	703	703
Total	¥ 4,767	¥ 4,767

Cash and cash equivalents

The carrying amounts of cash and cash equivalents approximate fair value because of their short maturities.

Short-term investments and investment securities

The fair values of short-term investments and investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institutions for certain debt instruments. The carrying amounts of short-term investments and investment securities are equal to the fair values. The information of the fair value for short-term investments and investment securities by classification is included in Note 3.

Receivables, payables, and accrued income taxes

The carrying amounts of receivables, payables, and accrued income taxes approximate fair value because of their short maturities.

(b) Financial instruments whose fair value cannot be reliably determined

	Millions of Yen	
	2013	2012
Investments in equity instruments that do not have a quoted market price in an active market	¥13	¥13

(6) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen
	Due in 1 Year or Less
March 31, 2013	
Cash and cash equivalents	¥10,482
Short-term investments and investment securities:	
Available-for-sale debt securities with contractual maturities	10,696
Other	3,266
Receivables	7,807
Total	¥32,251

	Millions of Yen
	Due in 1 Year or Less
March 31, 2012	
Cash and cash equivalents	¥ 9,793
Short-term investments and investment securities:	
Available-for-sale debt securities with contractual maturities	7,396
Other	2,408
Receivables	7,243
Total	¥26,840

14. COMPREHENSIVE INCOME

The components of other comprehensive income (loss) for the years ended March 31, 2013 and 2012, were as follows:

	2013	2012
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥1,061	¥ 334
Reclassification adjustments to profit or loss	3	87
Amount before income tax effect	1,064	421
Income tax effect	(391)	(198)
Total	¥ 673	¥ 223
Foreign currency translation adjustments -		
Adjustments arising during the year	¥ 794	¥(532)
Total	¥ 794	¥(532)
Share of other comprehensive income (loss) in associates -		
Income (loss) arising during the year	¥ 28	¥ (7)
Total	¥ 28	¥ (7)
Total other comprehensive income (loss)	¥1,495	¥(316)

15. RELATED PARTY TRANSACTIONS

Major transactions with unconsolidated subsidiaries and an associated company for the years ended March 31, 2013 and 2012, were as follows:

	2013	2012
Sales	¥582	¥493
Interest and dividend income	30	23
Other	(280)	(299)

16. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriations of retained earnings of the Group for the year ended March 31, 2013, were approved at the shareholders' meeting held on June 21, 2013:

	Millions of Yen
Year-end cash dividends, ¥32 per share	¥748

17. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group mainly produces and sells cosmetic products. The Company and domestic subsidiary oversee the Japan region, PT Mandom Indonesia Tbk oversees the Indonesia region, and other overseas subsidiaries in Malaysia, Thailand, China, and other location oversee activities in each of the countries. Each of the overseas subsidiaries is independent management units, which can develop product strategies and business activities in their respective regions. Therefore, the Group consists of the geographical segments based on production and sales structures, which are identified as Japan, Indonesia, and other foreign countries ("Other").

2. Methods of measurement for the amount of sales, profit, assets, liabilities, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about sales, profit, assets, liabilities, and other items.

	Millions of Yen					
	2013					
	Reportable Segment			Total	Reconciliations	Consolidated
	Japan	Indonesia	Other			
Sales:						
Sales to external customers	¥38,208	¥13,511	¥8,708	¥60,427		¥60,427
Intersegment sales or transfers	3,674	2,403	359	6,436	¥(6,436)	
Total	¥41,882	¥15,914	¥9,067	¥66,863	¥(6,436)	¥60,427
Segment profit	¥ 3,921	¥ 1,118	¥ 909	¥ 5,948		¥ 5,948
Segment assets	42,262	10,808	7,094	60,164		60,164
Other:						
Depreciation	1,468	625	72	2,165		2,165
Amortization of goodwill			38	38		38
Investments in associated company under the equity method			188	188		188
Increase in property, plant and equipment and intangible assets	766	757	45	1,568		1,568

	Millions of Yen					
	2012					
	Reportable Segment			Total	Reconciliations	Consolidated
	Japan	Indonesia	Other			
Sales:						
Sales to external customers	¥38,941	¥13,458	¥7,403	¥59,802		¥59,802
Intersegment sales or transfers	3,705	1,578	274	5,557	¥(5,557)	
Total	¥42,646	¥15,036	¥7,677	¥65,359	¥(5,557)	¥59,802
Segment profit	¥ 3,805	¥ 1,432	¥ 813	¥ 6,050		¥ 6,050
Segment assets	41,148	9,387	5,066	55,601		55,601
Other:						
Depreciation	1,577	594	71	2,242		2,242
Amortization of goodwill			82	82		82
Investments in associated company under the equity method			159	159		159
Increase in property, plant and equipment and intangible assets	1,423	748	53	2,224		2,224

Notes: * "Reconciliations" represents eliminations of intersegment sales or transfers.

** "Segment profit" represents operating income included in the consolidated statements of income.

4. Information about products and services

	Millions of Yen			
	2013			
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥41,504	¥12,487	¥6,436	¥60,427
	Millions of Yen			
	2012			
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥41,587	¥11,690	¥6,525	¥59,802

5. Information about geographical areas

(1) Sales

Millions of Yen			
2013			
Japan	Indonesia	Other	Total
¥37,566	¥11,532	¥11,329	¥60,427

Millions of Yen			
2012			
Japan	Indonesia	Other	Total
¥38,382	¥11,077	¥10,343	¥59,802

Note: Sales are classified in countries or regions based on location of customers.

(2) Property, plant and equipment

Millions of Yen			
2013			
Japan	Indonesia	Other	Total
¥8,083	¥3,201	¥259	¥11,543

Millions of Yen			
2012			
Japan	Indonesia	Other	Total
¥8,763	¥2,899	¥251	¥11,913

6. Information about major customers

Name of Customers	Millions of Yen	
	Sales	Related Segment Name
Paltac Corporation	¥18,245	Japan
PT Asia Paramita Indah	11,506	Indonesia
Name of Customers	Millions of Yen	
	Sales	Related Segment Name
Paltac Corporation	¥18,039	Japan
PT Asia Paramita Indah	11,039	Indonesia



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of MANDOM CORPORATION:

We have audited the accompanying consolidated balance sheet of MANDOM CORPORATION and its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MANDOM CORPORATION and its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

June 12, 2013

Member of
Deloitte Touche Tohmatsu Limited

mandom corp.

